



Integrated Report 2021/22

JOHANNESBURG ROADS AGENCY SOC (LTD)

Reg. No. 2000/028993/30

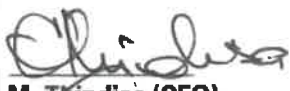
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Company Information

Registration number:	2000/028993/30
Registered address:	75 Helen Joseph Street, Johannesburg, 2001
Postal address:	Johannesburg Roads Agency, Private Bag X70, Braamfontein, 2017
Telephone number:	(011) 298-5001
Fax number:	(011) 298-5178
Website:	www.jra.org.za
Bankers:	Standard Bank of SA Limited
Auditors:	Auditor General South Africa (AGSA)

Approval

 M. Thindisa (CFO)	Date: 30-11-2022
 L. Nel (Acting CEO)	Date: 30/11/2022
 T. Motloung (Board Chairperson)	Date: 30.11.2022
 F. Ngobeni (MMC: Transport)	Date: 2022/11/30

Vision

The best city roads authority that enables economic growth and sustainability

Mission

We commit to provide quality roads that are accessible, safe and liveable for us Communities.

Acronyms and Abbreviations

Acronym	Meaning	Acronym	Meaning
AFS	Annual Financial Statements	IFRS	International Financial Reporting Standards
AFRIT	Audit, Finance, Risk & Information Technology		
AGM	Annual General Meeting	IFRS	International Financial Reporting Standards
BEE	Black Economic Empowerment	JDE	JDE Accounting System
B-BBEE	Broad Based Black Economic Empowerment	JSIP	Johannesburg Strategic Information Platform
BOQ	Bill of Quantities	KING IV	Code on Corporate Governance
CAPEX	Capital Expenditure	MFMA	Municipal Financial Management Act
GFIS	Group Forensic Investigation Unit	MMC	Member of the Mayoral Committee
COBIT	Control Objectives for Information Technology	MISA	Municipal Infrastructure Support Agency
CoJ	City of Johannesburg	MSA	Municipal Systems Act
CSR	Corporate Social Responsibility	NED	Non-Executive Director
DDR	Detailed Design Report	NMT	Non-motorised transit
EAP	Employee Assistance Programme	NSDS	National Skills Development Strategy
EE Act	Employment Equity	OHASA	Occupational Health and Safety Act
EFF	External Finance Fund	OPEX	Operational Expenditure
EFT	Electronic Financial Transfer	PAYE	Pay as You Earn (tax)
EMT	Executive Management Team	PDR	Preliminary Design Report
EPWP	Expanded Public Works Programme	PMD	Performance Management and Development Policy
FDP	Financial Development Plan	REMSEC	Remuneration, Social and Ethics Committee
FICA	Financial intelligence Centre Act	RITC	Risk and IT Committee
FY	Financial Year	RFQ	Request for Quotation
GAC	Group Audit Committee	RO	Regional Operations
GDS	Johannesburg 2040 Growth and Development Strategy	SCM	Supply Chain Management
GFIP	Gauteng Freeway Improvement Programme	SDBIP	Service Delivery and Budget Implementation Plan
GRAP	Generally Recognised Accounting Principles	SMMEs	Small Medium Micro Enterprises
GRAS	Group Risk and Assurance Services	SOE	State Owned Enterprise
GTAC	Government Technical Advisory Centre	SOP	Standard Operating Procedures
IDP	Integrated Development Plan	SOW	Scope of Work
ITS	Intelligent Transport System	UIFW	Unauthorised, Irregular as well as Fruitless and Wasteful
IIRC	International Integrated Reporting Council	UPS	Uninterrupted Power Supply
IFRS	International Financial Reporting Standards	USDG	Urban Settlements Development Grant
ICT	Information, Communication and Technology	VAT	Value Added Tax

About this Report

The 2021/22 Integrated Report of the Johannesburg Roads Agency SOC Limited (JRA) covers the period 1 July 2021 to 30 June 2022. It describes how the JRA gave effect to its statutory mandate during this period. The report is presented in two volumes: **Volume 1:** Is a narrative and statistical description of major developments during the year and of value generated in various ways, including the Corporate Governance Report; and **Volume 2:** Annual Financial Statements

Content Guidance

In preparation of this Integrated Report we considered, used, and applied several local and international range of content guidance documents, including: International Integrated Reporting Council's (IIRC) Integrated Reporting Framework; Municipal Finance Management Act (MFMA) Circulars; Global Reporting Initiative (GRI-G4); King Code of Governance (King IV); International Financial Reporting Standards (IFRS); and the Companies Act, No. 71 of 2008.

Assurance

The report has been reviewed by the internal JRA audit process, the Board of Directors and externally by the AGSA. The report will serve at CoJ Council for final approval. The Board and Management confirm the reliability and completeness of the information included in the report.

Our Approach to Materiality

In selecting qualitative and quantitative information for the report, the JRA has sought to be concise but reasonably comprehensive and has followed the principle of materiality—content that shows the JRA's value-creation in the short, medium and long term. We identified the following material aspects for the 2021/22 reporting year, i.e. matters that are important and of interest to Our Shareholder; Our customers and stakeholders; Our employees and organised labour; Our contractors, suppliers and service providers; and, Our Communities, the media and the general public.

Feedback

Your feedback is important to us and we welcome your input to enhance our reporting content and processes. For comments please <mailto:mmafenya@jra.org.za>. Readers can also interact with JRA on its social media platforms.

Statement of Responsibility

The Board of Directors reviewed the content presented in this report, including; the completeness of the material aspects, the reliability of reported performance information, and the appropriateness of the reporting frameworks used. The Board believes the report is an accurate representation of the prospects and performance of the Entity. The Audit, Finance, Risk & Information Technology committee (AFRIT), considered the report and recommended it for approval by the Board. The Board approved the 2021/22 IR on 30 November 2022 and released it to the Shareholder on 5 December 2022.

CHAPTER 1: LEADERSHIP AND CORPORATE PROFILE

Section 1: MMC Foreword



It gives me a great pleasure to present the Annual Report of the Johannesburg Road agency for 2021/22 financial year to Council. This reporting period relates to a period prior to my appointment and it is in this regard that I would like to acknowledge former MMC Transport, Councillor Nonhlanhla Makhuba for her contributions in the Johannesburg Roads Agency.

From reading this report, it is clear that the 2021/22 Financial Year required the entity to be more creative in delivering the service to the residents of the City of Johannesburg. Even though one of the key focus areas for this period was ensuring that the capital budget allocations and the delivery of capital projects remained a priority, it is clear that the advent Covid-19 pandemic and the subsequent lock-down hugely impacted the ability of the Johannesburg Roads Agency to execute and implement its main programmes of roads, roads infrastructure development and maintenance.

Despite this negative impact, it's encouraging to read that during the 2021/2022 FY the company managed to make progress in some areas. A total of 106 SMMEs were supported against the annual target of 70. Inspections of Major Roads were completed; and a total of 519 road investigations were concluded against the annual target of 300.

Having said that, it is very clear to us that a lot of work awaits us in ensuring that the City's roads continue to contribute positively towards the economic growth of the City. Plans to implement the critical service delivery programmes of repairing potholes, maintenance of bridges, upgrade of gravel roads, unblocking and clearing of blocked storm water and reinstatements will continue aggressively in this new term.

The acceleration of Infrastructure repair will be supported, and procurement of such services will be prioritised. Together with the JRA team, we remain committed to ensuring that service delivery remains the key focus of the organisation.

I would like to express my sincere gratitude to the Board of Directors, management, and staff at the Johannesburg Roads Agency. A word of gratitude, also, to all the oversight bodies as well as our key stakeholders for their continuing support towards ensuring that we deliver on safe and efficient road services for all.

A handwritten signature in black ink, appearing to be 'Funzela Ngobeni'.

Funzela Ngobeni
MMC Transport

Section 2: Board Chairperson's Report

As we compile this report our country is facing numerous challenges post the Covid-19 epidemic and shrinking economy. Budgetary constraints are a real challenge for entities like the JRA who are dependent on municipal funding to execute on the mandate of service delivery to the six million residents of City of Johannesburg. The JRA has core five areas of delivery;

- Ensuring that the roads of the city are functional, ensure that they are user friendly and safe.
- Ensuring that the bridges of the city are safe through an adequate proactive maintenance and proper repair works.
- To provide a traffic management system that works adequately to facilitate free flow of traffic, particularly in pick hours.
- Providing the new roads as part of the city expansion program to support growth.
- To ensure that the storm water management infrastructure is appropriate to prevent the city from flooding particularly in responding to climate change.

This report covers the period post COVID -19 and is focusing on public infrastructure which is part of priorities of all government. It highlights the JRA's tenacity, vision, and resourcefulness in the midst of an economic downturn, as we look toward the future and begin the work of rebuilding the city's economy, we know that the best is yet to come, and we are confident that we will continue to make a great impact and contribute to Gauteng Province & Country's economy.

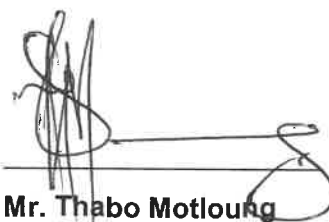
The Directors are required by the Companies Act of South Africa, to ensure sound and prudent management of the company, reporting of financials of the company has integrity of the annual financial statements and related financial information are a true and correct reflection of the state of the company. It is the responsibility of the Directors to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the statutory requirement as stipulated in the PFMA, MFMA and MSA.

The external auditors are engaged to express an independent opinion on the annual financial statements. The annual financial statements are prepared in accordance with the National Treasury requirements and all applicable accounting

standards. The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment as the governing authority of the JRA.

To execute this mandate, the Directors, have to meet ensure proper management of JRA resources and therefore, the board sets standards for internal control aimed at adequate risk management and proper financial management and controls. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

As the leadership of the JRA, we have satisfied ourselves that the Integrated Report of the Company, the Annual Financial Statement are reported correctly and confirmed by the external auditors (as represented by the Auditor General) as per the Companies Act. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The board of directors have reviewed the company's cash flow forecast for the year ended 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate financial resources to continue in operational existence for the foreseeable future.



Mr. Thabo Motloung
Board Chairperson

Section 3: Chief Executive Officer's Report

This report presents the 2021/22 JRA annual performance against the targets set out in its Business Plan at the beginning of the financial year and as adjusted at mid-year. This report presents the performance of the JRA in line with the relevant legislative provisions and enables the JRA to meet corporate governance requirements.

Despite the difficult operating environment as a result of COVID-19 at the beginning of the year, the Entity has made progress on key service delivery programmes aligned to its Business Plan and the City's Institutional SDBIP. This includes progress in roads resurfacing, gravel roads upgrades as well as in the conversion of open stormwater channels. The Entity has also made progress in the number of SMMEs supported as well as the number of EPWP opportunities created and in the maintenance of road infrastructure. With regards to roads infrastructure maintenance, the A Re Sebetse initiative gained more momentum in the financial year leading to a reduction of the roads maintenance backlogs, particularly in regions F, D and A, where it was implemented during the quarter under review *(see Chapter 3 for details)*.

I am pleased to indicate that in terms of its financial position, the profitability and liquidity ratios of the JRA are positive, and the company is financially sound and solvent. However, as a consequence of our business model our salaries to expenditure

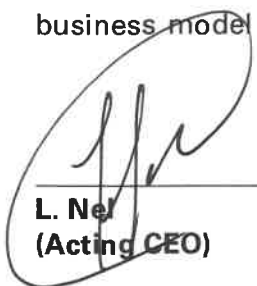
ratio remains significant. The JRA received an additional budget as a consequence of mid-year adjustments. Overall, interim capital expenditure is on 85.26% of the total 2021/22 adjustment capital budget *(for details see Chapter 5)*.

On governance and internal processes, the JRA has worked on resolving audit findings in particular reducing repeat audit findings. To this end, the entity resolved 80% of AG findings raised in the previous financial year and 78% of all due Internal Audit findings *(for details see Chapter 6)*.

Despite the progress made, there are some service delivery challenges encountered. The lack of a comprehensive fleet and plant contract, as well as infrastructure vandalism continues to be a challenge. I would like to take this opportunity therefore to urge our communities to guard their public assets with jealousy and help curb these social ills of infrastructure vandalism.

As the Acting Accounting Officer, I am generally satisfied of the plans that the JRA management has put in place and are executing in order to redress the key challenges that the Entity faces.

In conclusion, I would like to further appreciate the JRA workforce for its continued dedication to work. I would also like to thank the JRA Board, MMC and Executive Management for their leadership and support in 2021/22 financial year



L. Nel
(Acting CEO)

Section 4: Chief Financial Officer's Report

The purpose of this report is to present the high-level 2021/2022 interim financial performance for the Johannesburg Roads Agency for the period ending 30 June 2022. The detailed interim financial performance information is contained *in Chapter Five* of this report.

It must be noted that the nature of our business is service delivery, and it is therefore expected that stakeholders would not necessarily be happy with positive ratios and financial balances alone. It is therefore critical that the JRA balances the attainment of objectives relating to key liquidity and profitability ratios with the attainment of service delivery targets and objectives.

The Council approved JRA adjustment operating budget for the 2021/2022 financial year is R1, 603 billion. The operating expenditure and total income for the 2021/2022 financial year was R 1, 432 billion and R 1, 596 billion respectively, representing interim income that is exceeding interim expenditure by R 163, 394 million at the end of the financial year.

The JRA adjustment capital budget for the 2021/2022 financial year is R 863, 707 million. The 2021/2022 interim capital expenditure (including provisional accruals and commitments) for the year-to-date amount is R 737,062 million. This represents 85.34% spend of the total 2021/2022 adjustment capital budget, (Refer Annexure "D").

JRA performance in relation to the five 2021/2022 interim key ratios in line with the Financial Development Plan (FDP) of the City of Johannesburg, the entity has a positive 2021/2022 current ratio, and the ratio also met the FDP target in the current year. The 2021/2022 solvency ratio of 2,31 is on the FDP target of 2. The entity, however, is solvent for the year ended 30 June 2022. The JRA has also improved in the expected collection of debtors' money by ensuring that all debtors payments are up to date. The financial position has improved significantly over the past five years.

The target on employee costs remains elusive primarily because of the business model of the JRA which sees employee costs made up of operational departments that generally work on road repairs and maintenance programmes. The proper allocation of these employees' costs (excluding employee costs for road and traffic signal maintenance), results in the 2021/2022 ratio reducing to 24, 5% of total 2021/2022 operating expenditure. The company is labour intensive and is made up of large internal teams for road and traffic signal maintenance. Included under employee costs is the "insourcing" cost of the security and cleaning staff.

The current 2021/2022 intercompany sweeping balance has an interim positive balance of R 362, 867 million. JRA earned an interim amount of R7,4 million on the positive 2021/2022 COJ bank balance. JRA has an interim 2021/2022 positive balance in the Developers Contribution bank account of R471, 299 million at the end of June 2022 and earned interest of R16,4 million in the 2021/2022 financial year, thus the total 2021/2022 interim cash on hand is R834,166 million. The 2021/2022 debtors book of the JRA has decreased by 49% from R537 million as compared to R276 million as at 30 June 2021.

JRA is progressively improving the financial controls and it is envisaged that the entity will continue to meet all the financial ratio targets as set by the Shareholder (CoJ). Based on the year-to-date performance the Company remains solvent and will meet its financial obligations.



Dikeledi Thindisa
(Chief Financial Officer)

Section 5: Corporate Profile and Overview of the Entity

The Johannesburg Roads Agency (JRA) (herein referred to as the Company / Entity/MoE) is an entity of the City of Johannesburg (CoJ). It was established in 2001 to design, construct and maintain roads and stormwater infrastructure on behalf of the CoJ Metropolitan Municipality. The JRA delivers on this mandate through a staff compliment of over 1 500 employees operating in seven regions of (CoJ).

JRA Mandate, Vision, Mission and Values

The JRA aims to be the best roads authority, providing quality roads and living up to a core set of values.

Mandate

To plan, design, construct and maintain roads and roads infrastructure in the City of Johannesburg Metropolitan.

Vision

The best city roads authority that enables economic growth and sustainability

Mission

We commit to provide quality roads that are accessible, safe and liveable for us Communities.

JRA Values

Respect	Caring for customers, prioritising communities, ensuring equity
Accountability	How one behaves when no one is watching
Ubuntu	Compassion for communities and road users, empathy, humility
Cooperation	Working together, integration, collaboration and pooling resources
Honesty	Ethics, transparency, doing the right thing.

Our Unique Competitive Landscape

Asphalt is a major composite used to repair and resurface roads largely procured from private companies. The JRA operates and manages an asphalt plant in Johannesburg with a capacity to produce 220 tons of hot and cold mix asphalt per hour. Given that asphalt is a major component of JRA roads maintenance work the plant enables an efficient use of scarce financial resources. The JRA endeavours to reduce possible downtime in asphalt production to enable road repairs and road resurfacing programmes to proceed uninterrupted.

To date the Plant has produced a total of 3 947, 55 tons for all the JRA depots within across the seven regions. Following the re-opening of the Asphalt Plant, there has been a number of critical infrastructure improvements

to enhance its overall efficiency and overall operations. One of the key interventions include the installation of new natural gas infrastructure which will supply Plant with the burner design capacity gas pressure.

Although the daily asphalt production is demand-based, the new natural gas supply system enables the Plant to run at optimal capacity at any given time. In addition to this, the JRA has started the process of looking at a commercialisation strategy, as well as maintenance services and staff training programmes to ensure that it maximises the value of the plant.

Overview of Governance and Accountability framework

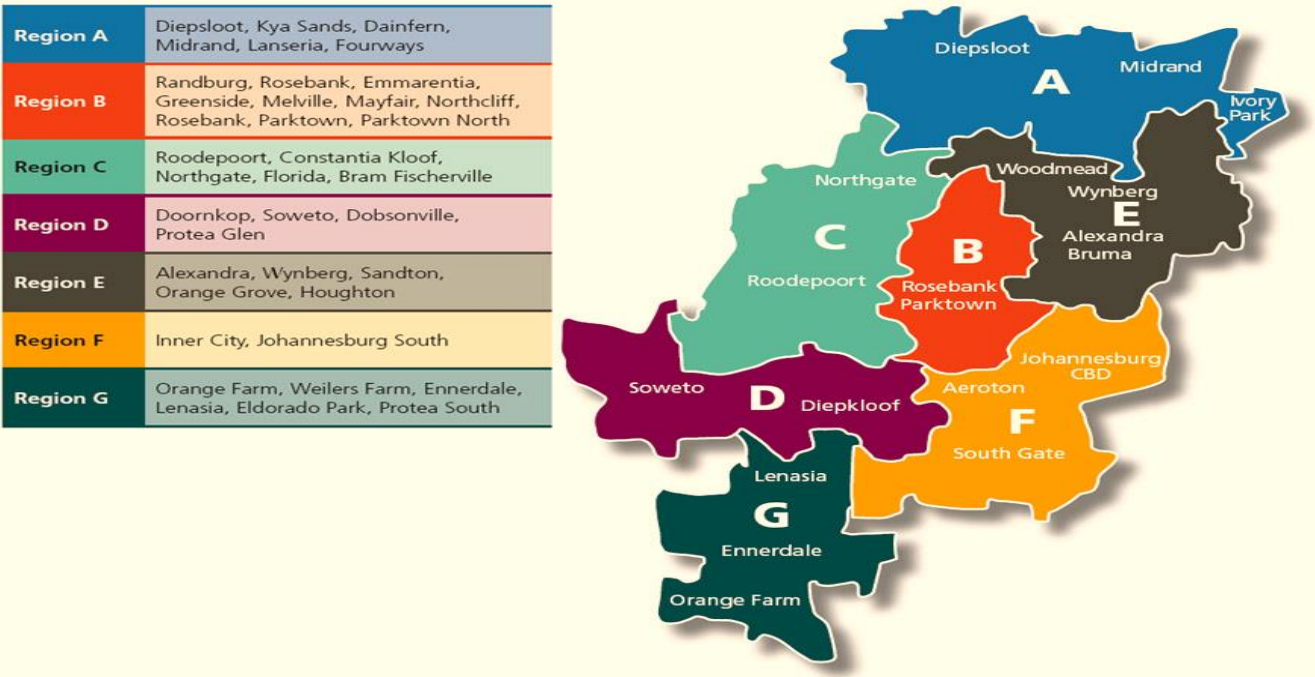
The JRA is a municipal entity under the Department of Transportation. It accounts to the Member of the Mayoral Committee (MMC) responsible for Transportation, who, together with the Section 79 Committee on Transportation provide political oversight. The JRA operates within the Economic Growth Cluster, enabling improved coordination and integration of all economic growth-related interventions.

The Shareholder (CoJ) appoints and mandates the Board of Directors to execute the strategic imperatives and performance objectives expected of the entity as contained in the Shareholder Compact. The governance and accountability framework for the JRA is illustrated below.

Regional Service Delivery Model – Our Regional Footprint

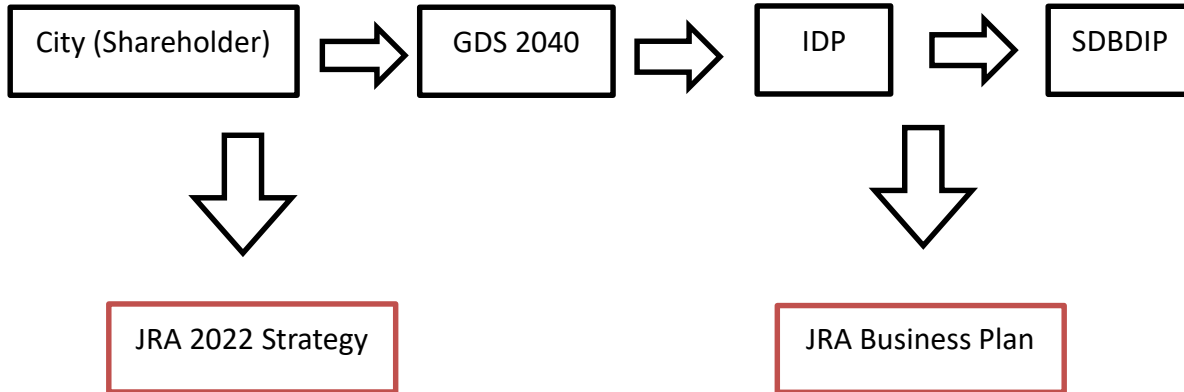
The company implements a region-based service delivery model through regional depots and four core departments namely (i) Regional Operations, (ii) Mobility & Freight, (iii) Planning, and (iv) Infrastructure Development – that are supported by Corporate Services, Performance Governance & Information Technology, Public Relations & Stakeholder Engagement and Finance departments. The service delivery element of the business is organised into seven regions, structured around depots, with traffic signals and re-surfacing depot (RSD) being stand-alone depots. The JRA also owns and manages the following strategic assets namely Fleet and Plant; Asphalt Plant; Laboratory; Resurfacing Depot; Motorways Depot and Traffic Signals Depot, under Regional Operations.

Figure 1.1: CoJ regions in which the JRA operates



Section 6: Strategic Objectives

Emanating from the mandate, the Johannesburg Roads Agency's vision is to be the best city roads authority that enables economic growth and sustainability. To deliver on this vision, the JRA's programmes are linked to the Shareholder's strategic direction as outlined in the, **long-term strategy** (GDS2040), the medium-term 5-year **Integrated Development Plan (IDP)**; and the short-term annual institutional **Service Delivery and Budget Implementation Plan (SDBIP)**. These are translated into the medium term **JRA Strategy** and the short-term (annual) **Business Plan** as illustrated below.



The JRA and CoJ plans must also be aligned to the Gauteng Integrated Transport Master Plan. The below table illustrates the alignment between the four GDS Outcomes; the relevant 10 IDP Mayoral Priority Programmes; and JRA programmes.

Table 1.1: JRA alignment to CoJ Priorities and Outcomes

CoJ Priority	JRA Programmes	CoJ Priority	JRA Programmes
1: A City that gets the basics right	Investment on fixing, replacing, and upgrading your roads, bridges, storm water pipes and traffic lights. - Road Network Programme - Road Resurfacing Programme - Rehabilitation & Reconstruction Programme - Mobility and Freight Programme - Bridge Management Programme - Customer Service Charter Standards - Stormwater Rehabilitation Programme - Asphalt Plant Commercialisation	2: A Safe and Secure City	- Anti-theft and Vandalism Programme - Petition Inspections
		3: A Caring City	EPWP and Employment Equity Programme
		4: A Business Friendly City	- Expanded Public Works Programme - SMMEs Supported
		5: An Inclusive City	Upgrade of Informal Settlement Road Infrastructure

6: A Well Run City	• Customer Satisfaction and Quality of Life Surveys • Clean Audit Drive • Fraud Prevention and Anti-Corruption programme	7: A Smart City	• Smart procurement apps to facilitate service delivery
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The JRA Strategy has four key strategic pillars upon which key programmes and interventions are built. Each of the pillars has a set of focus areas (programmes) that drive business operations for the strategy period. These programmes have several interventions and activities aligned to them. The successful implementation of the strategy will produce the desired reality for JRA on its goals, objectives and mandate. The desired outcome has been defined for each strategic pillar in the table below.

Table 1.2: Desired outcome and strategic pillars

Strategic Pillar	Desired Outcome	Strategic Pillar	Desired Outcome
Service Delivery	Roads Infrastructure • The JRA will rollout capital reinvestment in the City's road network system to reduce the road infrastructure backlog • Preserve road infrastructure through routine and periodic road maintenance to preserve the city's roads • Improve visual condition of roads through a Visual Condition Index (VCI) assessment • Reduced theft and vandalism • Visible street names and clear road markings	Good Governance and Sound Financial Management	• Adequate funding levels for the JRA • An efficient and financially viable asphalt plant. • Achieve a Clean Audit • Maximise the JRA's contribution to the city's financial resilience and sustainability priority focus • Realise savings from protecting infrastructure, internal efficiency and improved productivity
	Stormwater Infrastructure • Construction of new and upgrades of old stormwater systems • A structurally sound, safe and blockage free drainage network	Customer and Stakeholder Relations	• Attainment of approved Customer Charter Service Standards • Improve the public image of JRA • Development and implementation of public relations, communications and engagements strategies

Strategic Pillar	Desired Outcome	Strategic Pillar	Desired Outcome
	- Proactive stormwater maintenance and regionalised stormwater maintenance planning - Safer communities through the provision of safe and adequate sub-surface storm water drainage systems Traffic Signals - Functional traffic signals that improve the road user experience - A traffic signals maintenance regime that incorporates prevention, remote monitoring, regular inspections, and rapid response - Compliance with the SA Road Traffic Signs Manual (SARTSM) standards - Deployment of alternative power sources to ensure resource sustainability Bridges - Rollout major capital reinvestment in the City's bridges and reduce backlog - Routine and periodic bridge maintenance regime	Human Capital Development and Management	- Improved quality through establishment of the JRA Training Academy - Reduce the vacancy ratio - Continuous skills and professional development programmes - Development and Implementation of Human Resources Strategy

See Chapter 3 for progress on these pillars and outcomes

CHAPTER 2: CORPORATE GOVERNANCE

Section 1: Composition, Key Activities and Remuneration of Board of Directors

Corporate Governance within JRA is managed and monitored by a Board of Directors (BoD), assisted by its Committees and Executive Management who constitute the Executive Committee. The functioning and conduct of the Board and its committees are guided by the Board Charter and Code of Conduct. The Board's functions include the setting of strategic direction, the approval of policy, the oversight of implementation and accountability through appropriate disclosure in the Integrated Report and through performance management and reporting. The Board is comfortable that it has fulfilled its responsibilities in line with the Board Charter and the Board Code of Conduct.

The Board is accountable to the CoJ through an accountability arrangement that is enabled through a Service Delivery Agreement (SDA) and Shareholder Compact concluded in accordance with the provisions of the Municipal Systems Act.

The Chairman of the Board and the Member of the Mayoral Committee (MMC) for Transportation meet quarterly and as when required to address governance, performance and service delivery issues. The JRA works closely with the Shareholder representative and participates in various CoJ platforms such as Council, the Mayoral Committee, and the Mayoral Lekgotla. The JRA also participates in the City's oversight and accountability platforms that include;

- Section 79 Oversight Committee on Transportation;
- The Municipal Public Accounts Committee (MPAC);
- Group Performance Audit Committee (GPAC)
- Group Audit Committee (GAC); and,
- Group Risk Governance Committee (GRGC).

For stakeholder engagement, the JRA participates in the legislated public consultation processes such as;

- The Integrated Development Planning process;
- Regional summits; as well as,
- Ward engagement meetings organised by the different Ward Councillors.

Board Composition

The JRA Board of Directors was appointed at the annual general meeting on February 15, 2022. Mr Tiyani Sambo was appointed Chairman of the Board for a term of three (3) years, renewable, annually, at the discretion of the Shareholder. In accordance with the skills matrix, the distribution of Board Committees for the current Board term is as follows:

Table 2.1: JRA Board Members

Audit, Finance, Risk & IT Committee	Service Delivery Committee	Remuneration and Social Ethics Committee
Thabo Motloung (Chairperson)	Msizi Myeza (Chairperson)	Hazel Mthimkulu (Chairperson)
Boitumelo Makgatle (NED)	Silver Bapela (NED)	Innocent Mthembu (NED)

Karen Parirenyatwa (IACM)	Thabo Motloung (NED)	Msizi Myeza (NED)
Sello Michael Makhobela (IACM)	Nompumelelo Mkhize (NED)	Tshepo Phetla (NED)
Mr Thabo Mongatane (IACM)	Hazel Mthimkulu (NED)	Boitumelo Mokgatle (NED)

* See Annexure A for the number of meetings and remuneration of each member for 2021/22.

Board Committees

The Board has three sub-committees; the Audit, Finance, Risk and IT Committee (AFRIT); Remuneration, Social and Ethics Committee (REMSEC) and the Service Delivery Committee (SDC) Committee. The Committees function in line with their respective Terms of Reference (ToR) and are chaired by an independent Non-Executive Director. Table 2.2 below illustrates the key responsibilities of these Committees.

Table 2.2: Summary of terms of reference of Board Committees

Reporting Element	Mandate	Board Committee
Financial management	Oversight of all matters relating to financial accounting, accounting policies, reporting and disclosure.	AFRIT
Risk management and ICT governance	Oversight over risk management issues, the process of identifying material risks and mitigation actions, as well as oversight over ICT governance as envisaged in King Code IV.	AFRIT
Internal and external audit functions	Overseeing internal and external audit policy, including activities, scope, adequacy and effectiveness of the internal audit function and audit plans. Review or approval of external audit plans, findings, problems, reports and fees.	AFRIT
Governance	Oversight over compliance with corporate practices and code of ethics	REMSEC
Remuneration	Oversight over inter alia remuneration policies, remuneration packages and all other matters relating to human resources and /or labour related matters.	Oversight REMSEC
Strategy development and implementation and organisational performance management	Oversight over strategy development and approval, organisational performance measurement, identification of the appropriate indicators and targets and relevant reporting and accountability in support of the service delivery mandate.	SDC
Stakeholder engagement and relationships	Oversight over effective stakeholder engagement and responsiveness	SDC

Meetings and Key Activities

The Board held 4 ordinary meetings and 5 special meetings during 2021/22 financial year, with attendance as indicated in Annexure A. Below is a summary of some of the key activities of the Board;

- The Board considered and approved quarterly performance reports which include financial and non-financial performance for 2021/22 financial year;

- The Board considered and approved the mid-year adjustments to the JRA Business Plan for 2021/22 Financial year;
- The Board considered and approved the JRA Business Plan and budget for 2022/23 financial year;
- The Board considered and approved several organisational policies in the 2021/22 financial year
- The Board of Directors attended the Governance Forum convened by the shareholder as well as training offered by the Institute of Directors (IOD), on 13 June 2022.
- The current Board underwent induction on 04 March 2022

Section 2: High-Level Organisational Structure

The management of the JRA is accountable for strategic and operational matters to the Board of Directors. In 2021/22, the JRA executive management was composed of the Chief Executive Officer (CEO) supported by the CFO and seven (7) Heads of Departments (HoDs). The HoDs lead four core service delivery and technical departments (Infrastructure Planning, Regional Operations, Mobility and Freight, and Infrastructure Development) and three support departments (Corporate Services, Finance, Public Relations and Stakeholder Engagement and Performance Governance and Information Technology). The organisational structure of the JRA for the 2021/22 financial year is illustrated in the figure below.

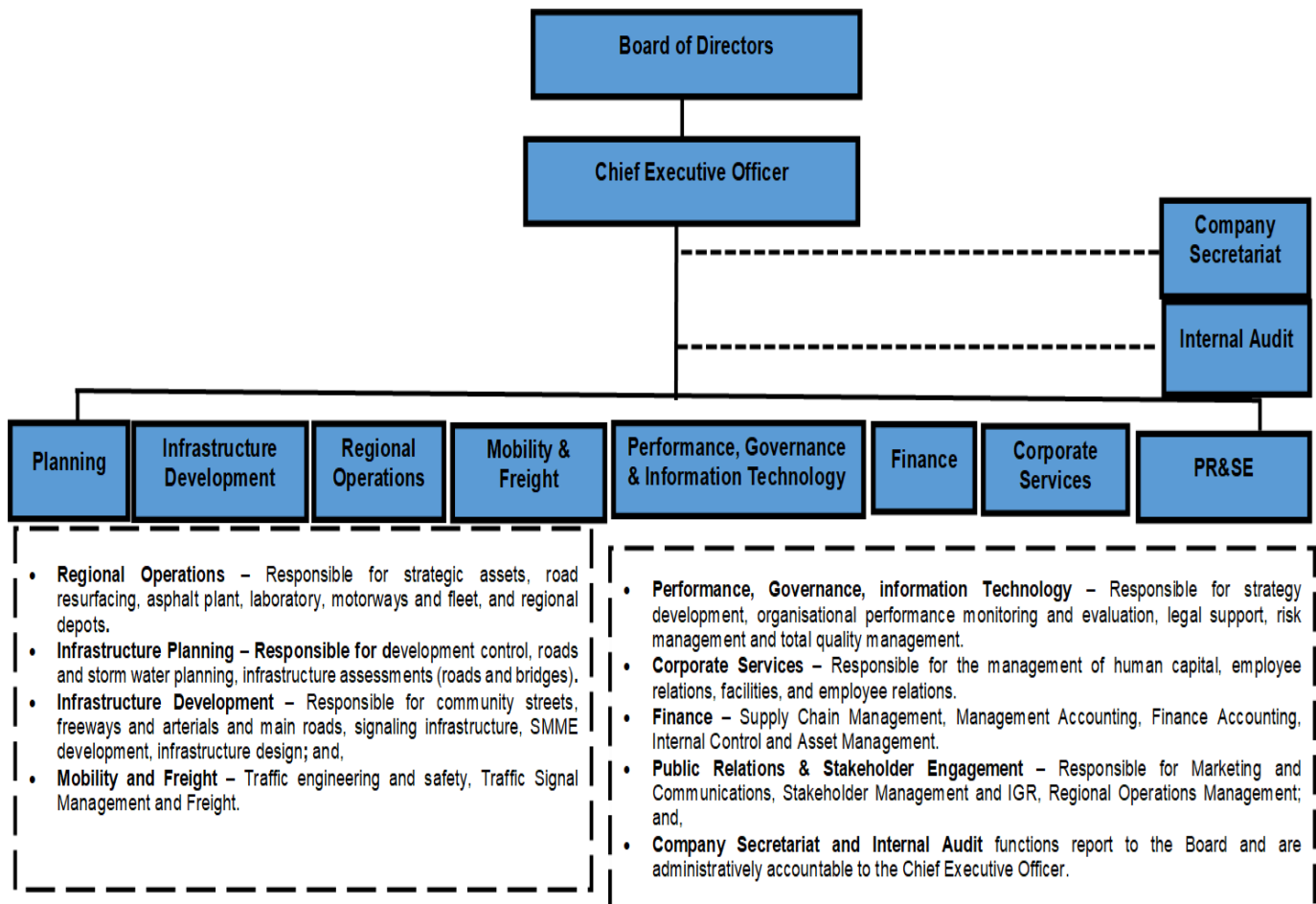


Figure 1.1. High level organisational structure of the Johannesburg Roads Agency

Executive Management Team (EMT)

In the 2021/22 financial year, the departmental functions were led by members of the Executive Management Team as reflected in Table 2.3 below.

Table 2.3: JRA Executive Management Team

Incumbent	Department	Status
Siyabonga Nodu	Acting Chief Executive Officer*	Acting
Ridhwaan Mahomed Pr Eng.	HOD: Infrastructure Development**	Acting
Musa Mkhacane Pr Eng.	HOD: Infrastructure Planning	Substantive
Louis Nel Pr Eng.	HOD: Mobility & Freight	Substantive
Sekati Mangena	HOD: Performance, Governance, and Information Technology	Substantive
Raven Shabe	HOD: Regional Operations	Acting
Dikeledi Thindisa	Chief Financial Officer	Acting
Sindiswa Mathebula	HOD: Corporate Services	Acting
Lawrence Maseko	HOD: Public Relations and Stakeholder Management	Acting
Khaya Meslane	Operations Manager: Internal Audit	Contract
Phumla Majola	Company Secretary	Substantive

*Was appointed Acting CEO after the resignation of S. Monakedi

**Was appointed Acting HoD after the resignation of S. Genu

Section 3: Governance of Stakeholder Relationships

Key to the process of determining our material issues is an in-depth understanding of our stakeholders and the information they require to evaluate our performance. Our stakeholder engagement practices are key success factors in achieving our strategy. We manage stakeholder related matters through various governance mechanisms.

To this end, the JRA has undertaken a process to identify its key stakeholders and has developed a stakeholder engagement plan. The plan assists the company to engage with, and understand the primary concerns of, its stakeholders. This approach also required the company to identify key platforms of engagements with stakeholders and target audiences that will foster relationships.

Key strategic interventions were identified that were needed to reposition the company to optimise partnerships aimed at driving an accelerated service delivery programme, to address the increasing number of road defects caused by various factors, including aging infrastructure and inclement weather conditions. The below table presents the JRA stakeholder engagement process.

Table 2.4: JRA stakeholder matrix and engagement

JRA's stakeholders	How we engage	Key issues	Why we Engage
- Shareholder - Communities - JRA Board of Directors and leadership - Employees and Union	- Media correspondence - Print media - Radio - TV broadcasts - Social media platforms	Traffic regulatory queries: Faulty traffic signals, old road signs and marking Road Infrastructure: pothole, road barriers installation and repair, traffic lights maintenance and installation, traffic calming measures; development of	- Inform - Partner - Consult - Involve - Collaborate

JRA's stakeholders	How we engage	Key issues	Why we Engage
- Councillors, ward committees and section 79 committees - Customers, suppliers and service providers - Private sector - National and Provincial government - Civil society, NGO's and designated targeted groups.	- Bulk SMS - JRA email banners - Internal posters - Connect newsletter - CEO's roadshows and staff meetings - JRA intranet - Public speaking engagements - Tradeshows and exhibitions	- sidewalks; development and repairs to pedestrian bridges; surfacing of gravel roads, replacement of manhole covers Stormwater Infrastructure: Conversion of open storm water channels - Training and career progression - Personal development requests - Pay and working conditions - Safety and quality standards	

Therefore, our strategic and performance plans are informed by extensive stakeholder and public consultations, which are conducted as part of the City-wide public participation processes. As part of this consultation exercise the JRA's 2021/22 business plan against which this Integrated Report is produced, was subjected to public scrutiny between March and May 2021 in the form of City-led regional feedback sessions. The sessions dealt with key issues raised during the 2020/21 IDP and budget outreach; ward committee meetings; targeted stakeholder engagements (IDP roadshows); regional ward cluster conversations and social media interaction. The public consultation process enables the City and entity to comply with the requirements of the Municipal Systems Act and the Municipal Finance Management Act. The most dominant matters raised across all regions are as follows;

Table 2.5: Stakeholder issues raised

Stakeholders	Issues Raised
City of Johannesburg residents; Ratepayers; Business community; Civil society; National and provincial government; Designated targeted groups.	- Installation of traffic calming measures; - Development of sidewalks; - Development and repairs to pedestrian bridges; - Surfacing of gravel roads; - Maintenance and servicing of Gauteng Provincial Government Traffic Signal Infrastructure - Conversion of open storm water channels especially in flooding hotspots - Replacement of manhole covers; and - General road maintenance (pothole patching, barriers installation and repair, traffic lights maintenance.

Section 4: Risk Management

The JRA's approach to risk management aims to protect value and to make the business sustainable over time. Risk management in the JRA ensures an appropriate balance between realising opportunities for gains and minimising adverse impacts. The Accounting Officer (AO) has established the necessary structures, put risk and compliance management on the strategic agenda of executive management as mandated by the Board of Directors. The JRA integrated approach to risk management is aligned to the CoJ Group Risk Management Framework and Group Risk Management Policy and identification of strategic risks is informed by the **parent municipality**. The JRA's approach to risk management is illustrated in the figure below.

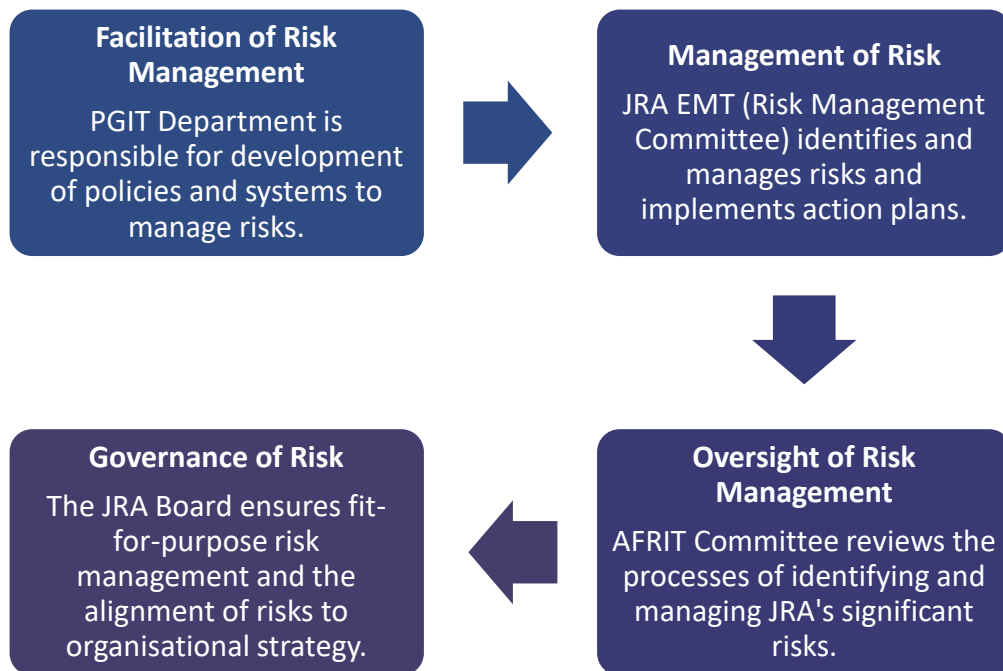


Figure 2.2: JRA Risk Governance

The JRA Internal Audit function independently and regularly evaluates the adequacy and effectiveness of the risk management. Internal Audit provides independent assurance to management and Board through the risk-based internal audit and combined assurance plan, which is aligned to the organisational risk profile.

The following risks were identified as having a potential material impact on the JRA. For the review period, JRA included and monitored the risk of COVID 19. These risks and the JRA's risk appetite and tolerance levels, are reviewed and approved annually by the Board. The strategic risks identified are; i. Infrastructure failure (Stormwater / Roads / Bridges / Traffic-Signals); ii. Inability to meet service delivery targets (Customer Charter/CAPEX); iii. Ineffective Governance Structures and Poor Financial Management; iv. Reputational damage; v. Fraud, theft and corruption; vi. Inadequate human capital management; and vii. Weakened workforce due to high exposure to COVID-19. Table 2.6 below illustrates the status of the Strategic and Operational Risk Improvement Action Plans for 2021/2022. The implementation of action plans in the strategic risk register is at 70%, with 28 actions completed out of the agreed 40. In the operational risk register 88 actions have been completed out of the agreed 118 (75%).

Table 2.6: JRA strategic risks status

#	Risk	Q1 Rating	Q2 Rating	Q3 Rating	Q4 Rating	Movement
1	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	High	High	High	High	
2	Governance failures	High	High	High	High	
3	Inadequate and ineffective communication systems with relevant stakeholders	High	High	High	High	
4	Fraud, theft and corruption	High	High	High	High	
5	Weakened workforce due to high exposure to Covid-19 virus	Medium	Very High	Low	Low	
6	Poor quality of work (projects and internal work)	High	High	High	High	
7	Ineffective Business Continuity Management system	Medium	Medium	High	Medium	
8	Failure to recruit and retain scarce and professional skills	Medium	Medium	Low	Low	
9	Cyber-attack, data fraud and data theft	Very High	High	Medium	Medium	
10	Loss, damage and difficulty in retrieving records	Very High	Very High	Very High	High	

Reduced



Constant



Increased



Risks, Opportunities and Dependencies

In 2021/22 financial year the key risks that had material effect on the strategic objectives of the company were identified, monitored and reviewed. Table 2.7 below reflects the assessment of the company's key risks and the opportunities emerging out of mitigation plans to manage the risks. The risks and opportunities identified are linked to dependencies that needed to be managed for effective mitigation.

Table 2.7: JRA's key risks, opportunities and dependencies

NO	Risks	Opportunities	Dependencies
1	Road Infrastructure Failure (roads, bridges, stormwater, traffic signals)	- Improve proactive maintenance, project management resources and increase budgetary allocations to key infrastructure maintenance - Reduction in public liability claims	Strong interdependency with the Johannesburg Development Agency, Housing Department and Development Planning Department for infrastructure projects implementation.

NO	Risks	Opportunities	Dependencies
2	Governance failures	- Achievement of objectives - Improved audit outcomes - Proactive community disruptions	- Management of interdependencies with other key City entities such as City Power and Joburg Water. - Alignment and dependency on the City-wide Group Governance frameworks.
3	Weakened workforce due to high exposure to Covid-19 virus	Saving operational costs through hybrid working solutions	National Departments such as Health, Labour etc. through issuing of Covid-19 guidelines and protocols
4	Fraud, theft and corruption	Invest in alternative technologies and increase engagements with sectoral departments such as Public safety	Engagements with Public Safety Department and Development control units in Development Planning as well as relevant provincial departments.
5	Poor quality of work - projects - internal work	Demand improved contractor performance	Dependency on the Contractor's ability to fund the project and its operations.

Internal Controls

The adopted risk methodology also entails the application of internal control mechanisms and mitigation actions, the adequacy, and effectiveness of which are monitored and measured by the Internal Audit Unit (see Chapter 6). The various control mechanisms are outlined in the Company-approved policies and procedures which are supported by a system of processes and Standing Operating Procedures (SOPs).

Through the ISO 9001 programme the JRA has developed several SOPs, and the Total Quality Management Unit is extensively involved in several process improvement initiatives. The implementation of SOPs and internal controls remains an area of continuous improvement in risk mitigation and reduction of internal and external audit findings. The Board, the Accounting Officer, and management are committed to improving the state of internal controls.

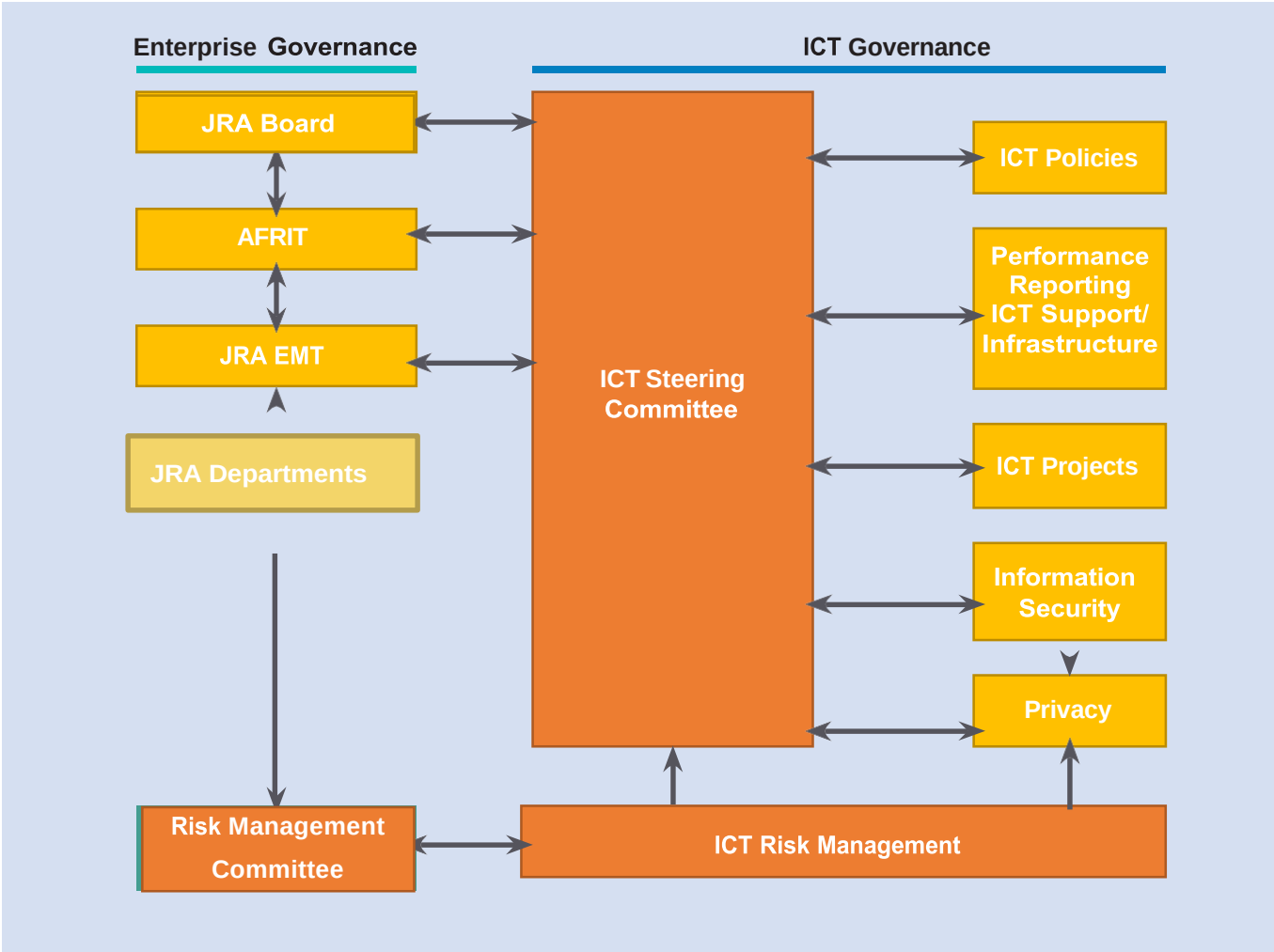
Section 5: Anti-corruption and Fraud Investigations

The Johannesburg Roads Agency (JRA) is committed to the fight against fraud and corruption which represent a significant potential risk to the JRA's assets, service delivery efficiency and reputation. The JRA does not tolerate corrupt or fraudulent activities either from internal or external stakeholders. Working together with the Ethics Management Forum and Group Forensic and Investigation Services consequence management to all finalised cases is implemented. To mitigate against the occurrence or reoccurrence of corruption and fraud instances, the Entity carries out an awareness campaign through posters prompting Good and Ethical Governance that are erected throughout the JRA building and depots. On a quarterly basis a compliance report is prepared and submitted to the Remunerations and Social Ethics Committee. Concluded forensic investigations received from Group Forensic Services are administered by the JRA management.

Section 6: ICT Governance

The JRA operates based on an approved IT Governance Policy Framework and several IT policies. The AFRIT Committee represents the interests of the Board in the delivery of sustainable IT services to the organisation. The committee is accountable for ethical and effective management of the JRA's information technology

resources with which it aims to achieve strategic outcomes and create value for stakeholders. ICT has the potential not simply to make the business of the JRA more efficient by automating processes but also to ensure that it plays a strategic role, for instance, through the data gathering, sharing and analysis potential and capabilities it offers. Figure2.3: below illustrates the ICT Governance Structures.



In the period under review the Information Technology function has focused on ensuring that the organisation has adequate IT support to function under lockdown regulations. This has enabled organisational capacity to fully implement the City’s hybrid working policy. The entity is awaiting migration onto the SAP platform as part of the City-wide roll-out of the system. When the migration happens, the Entity will move from the different systems it currently operates onto a single platform for some of its key processes. The regular power outages were a challenge; however, this was mitigated through existing power back up system.

Section 7: Compliance with Laws and Regulations

The JRA reports on 148 legislations and regulations, annually, as part of the compliance with laws and regulations imperative. The compliance universe is summarized in the table below.

Table 2.8: Compliance Universe

AREA	TOTAL	COMPLIANT	NON-COMPLIANT
Companies Act	6	6	0

Labour Relations & Employment Laws	8	7	1
Finance Tax	7	4	3
MFMA	12	12	0
Environmental	3	2	1
General	16	8	8

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

This chapter presents the JRA's annual performance against the 2021/22 predetermined objectives and any mid-year adjustments as approved by the Board and Shareholder.

Section 1: Highlights and Achievements

Section 1: Highlights and Achievements

In line with available budget, in 2021/22 the JRA achieved the following milestones amongst others; **52 217** potholes repaired; **20.86** km gravel roads surfaced; **31.10** lane km resurfaced; and **93%** of all **677 technical** faults reported resolved within 24hrs

- Overall performance, the JRA achieved 94%% (weighted score) and (70% head-count) of its pre-determined objectives on the adjusted corporate scorecard;
- In relation to infrastructure development, the JRA resurfaced 131.10 lane km against a target of 70 lane km). The Company also upgraded 20.86 km of gravel roads to surfaced roads against a target of 10 km and converted 3.05 km of open storm water channels against a target of 3 km.
- The entity supported 106 SMMEs against a target of 70 and created 303 work opportunities against a target of 250.
- In relation to infrastructure maintenance, the JRA performed as follows; a total of 52 217 potholes were repaired; 22 041 kerb inlets (KI) were unblocked and cleared; 112 manhole covers including KI tops were replaced and 4 896m of guardrails were replaced.
- The A Re Sebeteng initiative contributed to a significant reduction in maintenance backlog.
- Inspections on major roads as part of the latest Visual Condition Index are completed (Class 1 – 4) and focused work packages distributed.
- During 2021/22 financial year, 677 technical faults, from 21% of the active portfolio, with an average of over 80% daily effectiveness of remote monitoring systems (RMS) as the source of such reports. 93.06% of reported faults were resolved within 24 hours.
- 140 confirmed pole-over service requests were received and 98.57% of these were resolved within 14 days.
- Traffic signal timings at 297 intersections were revised and designed against an annual target of 200.
- The JRA completed 519 traffic investigations against a target of 300.
- The JRA entity received and completed investigations into 53 petitions thus completing a 100% of submitted petitions.
- The entity evaluated 402 traffic impact assessments against a target of 350; and,
- The JRA entity resolved 80% of the AG findings.
- The JRA adjustment capital budget for the 2021/2022 financial year was R 863, 707 million. The 2021/2022 interim year-to-date capital expenditure (including provisional accruals and commitments) is R 736,997 million. This represents interim expenditure of 85.33% spend of the total 2021/2022 adjustment capital budget.

Section 2: Service Delivery Challenges

In the financial year, the JRA experienced the following challenges;

- At the outset of the financial year, the JRA experienced several COVID-19 cases which negatively impacted on its operations. This improved as the infection rates lowered and the COVID regulations were eased;
- Theft and vandalism remained a challenge with theft at traffic signals-controlled intersections of signals controllers, poles and cables and uninterruptable power supply (UPS) systems.
- The lack of pro-active maintenance, aging infrastructure, inadequate storm water drainage system, vandalism and theft and blocked drainage system have resulted in daily increase in infrastructures failures such as potholes during the financial year.
- The lack of capable resources across all Depots to ensure effective planning, scheduling, and monitoring of the work done by the SMMEs remains a major challenge. Memo has been sent to City detailing request to appoint officials within the specified budget requirements.
- The JRA also experienced a lack of specialised equipment which was eased by the placement of a short-term contract towards the end of the financial year.
- Beyond this the JRA faces increasing demands for infrastructure establishment and rehabilitation due to the general state of the road infrastructure. Despite an increased capital budget over the last few years, the approved budget for some projects remains inadequate for the planned project scope and to meet additional demands for infrastructure rehabilitation and reconstruction.

Section 3: Response to Strategic Direction

Annually, the JRA implements the following key strategic programmes: roads resurfacing; gravel roads upgrading; bridges management; storm water management (storm water master planning and storm water upgrades); traffic signals management and safety investigations; customer service charter standards; and governance and other internal processes.

i. Roads Resurfacing Programme

The JRA manages over 12 000 km of road network, and most of these roads are older than 30 years which is usually a design life span for urban roads. In the last Visual Condition Index (VCI) assessment only 44% of City roads were classified as either very good or good, with the rest 56% classified as either fair, poor or very poor and requiring rehabilitation or reconstruction. In line with available resources, the JRA has adopted road resurfacing as a short to medium term strategy to prevent complete failure of the road network. The road resurfacing programme, which includes asphalt overlays, re-tarring and sealing of cracks across the City of Johannesburg's road network is paramount not only in improving the life span of the City's roads but in mitigating structural damages caused mainly by water which often results in pothole development. In 2020/21 financial year the JRA resurfaced 131.10 lane km against annual target of 70 lane km.



Image 1: Road Resurfaced, Florida, Westlake Road, Region C



Image 2: Road Resurfaced, Florida, Westlake Road, Region C

Road Resurfacing

ii. Gravel Road Upgrade Programme

The JRA also upgrades gravel roads into surfaced roads mostly in marginalised areas across the city. These areas include Ivory Park (2.32km), Diepsloot (2.63km), Braamfischerville, Orange Farm (1.84km), Drieziek (1.96km), Tshepisong (1.91), Doornkoop/Thulani (1.2km), Mayibuye (3.06km), Poortjie, Lawley (0.84km), Slovoville (1.28), Kaalfontein, Lakeside (1.68km) and Drieziek Extension 3, 4,5 (0.40), Ennerdale South (1.74km). In 2021A total of 20.86km has been upgraded to surfaced standard to date.



Image 3: Gravel road upgrade-Ivory Park



Image 4: Gravel road upgrade- Ivory Park

Gravel roads upgraded to surface roads

iii. Bridges Management Programme

There are currently 68 bridges that require urgent rehabilitation and or reconstruction across the City of which fourteen were elevated as high priority. In the last Visual Condition Index (VCI) assessment only 5.77% of City bridges were classified as either very good or good, with the rest, 94.23% classified as either fair, poor or very poor and requiring rehabilitation or reconstruction. Some of the more critical bridges include amongst others the three inner city bridges Queen Elizabeth, Biccard, and Harrison Bridges, Kilburn Bridge, Belgrave Bridge, West Road Bridge, Pier Road Bridge, Maphumulo Bridge and Mmila and Vincent series Bridges. The rehabilitation of all bridge structures along the M1 and M2 are also deemed critical. It is worth noting that West

Road Bridge, Canterbury Road Bridge and Pier Road Bridge have been completely closed-off due to safety concerns. The replacement and rehabilitation of bridges is underway for M2 Joints Replacement, Modderfontein Bridge, 5th Road Bridge, Canterbury Culvert Bridge, Mzimhlophe Pedestrian Bridge, and Indlovu Bridge Repairs projects. The total of 6 bridges have been rehabilitated and reconstructed to date.

iv. Infrastructure Planning Management.

In relation to infrastructure planning, the JRA focuses on periodic assessments of roads and related infrastructure, research and development, development control, roads and storm water planning including road asset management systems. Through these regular assessments, the JRA develops medium to long-term strategic technical infrastructure plans. The JRA also develops road and storm water masterplans that guide infrastructure improvements within the City.

Road Asset Management Systems

The JRA is conducting a Visual Condition Assessment that will enable the entity to:

- i. determine the status quo of the condition of road & related infrastructure;
- ii. guide infrastructure development; iii. inform the development of multi-year budgeting framework; and iv. develop maintenance strategy, operational plans and maintenance plans.

a. Pavement Management

A Pavement Management Systems (PMS) is critical for identifying inadequacies within the existing pavement infrastructure as well as planning maintenance interventions for proactive maintenance scheduling and defining new pavement infrastructure needs via the biannual Visual Condition Assessments (VCA's) which would result in Visual Condition Indices (VCI's). The VCI as per the Technical Methods for Highways (TMH22) also serves as a function to update the physical asset register (inventory) and serves to update and value this asset class. The completed assessment outcomes and financial implications projected are contained in the table below.

Table 3.1: Progress with VCI assessments

Region	Planned km of Road as per JRA GIS data	Total km of Major Roads (Class 3 & 4) (As per site inspection outcome)	Total km of Major Roads to be treated (Class 3 & 4) (As per inspection outcome)	Percentage Inspected to Date	Total Replacement Costs (R)
Region A	51	102	450	100% Complete	R 2,81 bil
Region B	118	270	270	100% Complete	R1,474 bil
Region C	120	270	317	100% Complete	R1,207 bil
Region D	73	288	408	100% Complete	R0,9951 bil
Region E	150	230	249	100% Complete.	R1,184 bil
Region F	310	449	132	100% Complete	R2,006 bil
Region G	20	284	103	100% Complete	R0,6827 bil
Region A (unpaved/ gravel roads upgrade)	108	82	82	100% complete	R0,0188 bil

		TOTAL	1917		R10,3778 billion
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The estimated cost-to conduct Visual Condition Inspections for the Minor Roads (RISFA) Class 5 and 6 roads is estimated at R6,500.00 per lane-km. Over the next three financial years the Infrastructure Planning Department requires at least R 25,000,000.00 annually to conduct these assessments. Forward planning and maintenance scheduling will not be possible without this exercise.

b. Stormwater Management

Similarly, to the aforementioned visual condition inspections of pavements, the same exercise is applicable to existing storm water assets managed by the JRA. The Storm Water Management System (SWMS) governs the Visual Condition Assessment (VCA) of the storm water assets. VCA outcomes not only provide short-term maintenance intervention scheduling but provide accurate locality and condition state to be considered in the Storm Water Master Plan. Further to this, Diepsloot in Region A, Bordeaux in Region B, and Zakariya Park in Region G have been noted as other urgent flooding hot spots and would form part of the Planning Departments' upcoming VCA targets should the appropriate OPEX funds be made available. The programme needs R25 million annually for visual inspections to complete a reliable amount of data required for proper decision making.

For the 2021/22 financial year, the infrastructure Planning Department has prioritized the Diepsloot area for storm water master planning studies which will culminate in a storm water masterplan report and drawing for the area. The progress at the end of Q4 is that 100% of the targeted area was completed. The Department is also carrying out the storm water master planning studies for Protea Glen Extensions as part of the storm water improvements and upgrading in the area. By the end of the financial year, 100% of the targeted area was completed. Below is a summary of the completed SMP's city-wide.

Table 3.2: Progress with storm water master plans

CoJ AREAS WHERE STORMWATER MASTERPLANS HAVE BEEN COMPLETED			SMP'S TO BE FINALISED WITHIN CURRENT AND NEXT FINANCIAL YEARS (I.E. 21/22 & 22/23).		
REGION	WARD NUMBER	SUBURB NAME	REGION	WARD NUMBER	SUBURB NAME
Region A	92	Glen Austin	Region E	108,116,105, 76,75,107	Alexandra (completion)
	111, 77, 78, 79	Ivory Park	Region G	122	Zakariya Park
	92, 111	Kaalfontein	Region G	8,9,10	Lenasia
	110	Mayibuye Commercial	Region G	18,17	Eldorado Park
	112	Carlswald	Region A	100	Cosmo City
	96	Chartwell	Region A	113, 95	Diepsloot
	110	President Park	Region B	102	Bordeaux
	80, 110	Rabie Ridge			
	111	Ebony Park			
Region B	104	Bryanston Corridor			
	104	Randburg Corridor			
Region C	134	North Riding			
	128	Tshepisong			
	114	Zandspruit			
	44	Braamfischerville			
		Thulani			

		Hendrik Potgieter Corridor			
	101	Olivedale			
	97	Poortview			
Region D	11 to 49; 51 and 52 and 130	Greater Soweto (All Suburbs)			
	24	Devland			
	53	Western Quadrant			
	53	Slovoville			

c. Bridge Management

Similarly, to the aforementioned visual condition inspections of pavements and storm water assets, the same exercise is applicable to existing bridge assets managed by the JRA, as the 5-year cycle will come to an end in June 2022. The Panel tender for bridge consultants closed on September 20th, 2021, service providers have been appointed and the panel is active.

The next cycle of VCA's is scheduled for inspections for condition, inventory, planning (prioritization), design and construction monitoring during the 2022/23 financial year. Below is a summary of the bridge assessments that were conducted in 2016/17. It must be noted that the next detailed assessments will only be conducted in the financial year 2022/23 as stipulated in the BMS guidelines. A total of 707 Bridges out of 902 are in a poor or very poor condition (+78,4%).

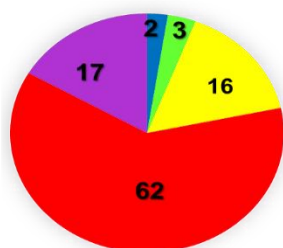


Figure 3.1: State of bridges

CONDITION	2016/17	NUMBER OF BRIDGES
VERY GOOD	2,44%	22
GOOD	3,33%	30
FAIR	15,85%	143
POOR	61,75%	557
VERY POOR	16,63%	150
TOTAL		902

d. Development Control

Development Related Applications

Below is a summary of the activities undertaken by Development Control in relation to private and Public Developments.

Development Control (Private)

The amount of Town Planning applications in 2021/22 is substantially more compared to the previous year. There was an increase of 154% in Town Planning applications as compared to the same period last year with a 21% increase in correspondence submissions compared to the previous period in 2021. The construction work performed by private developers on behalf of the JRA amounted to R 252 307 100,54.

Development Control (Public)

The amount of Town Planning applications by public developers increased by 54% compared to 2021 with a 14% decrease in correspondence submissions compared to the same period in the last financial year. The construction work performed by public developers on behalf of the JRA amounted to R 105,074,134.69.

Some of the ongoing projects being handled by Development Control (Public) include: Roodepoort Transit Oriented Development; Balfour Park NMT project; Diepsloot Public Environment Upgrade project; Lenasia Transit Oriented Development; Alexandra to Greenstone Mall BRT and NMT implementation; Malibongwe Ridge; Jabulani TOD Phase 5 – Bolani Road; Jabulani TOD Phase 7 – Molapo Bridge; Kya Sands Super Stop facility; Ghandi Square Public Environmental Upgrade Phase 2 (Fox Street and Main Street); Orlando Non-Motorised Transport; Lufhereng Housing Development (mega project). Some projects that have just commenced include: Zandspruit Ext 84 – Construction of Internal Roads and Stormwater; Braamfischerville Extension 12 (construction had stopped but to recommence soon); Orlando Non-Motorised Transport; Construction of Bulk Stormwater Upgrades in Orange Farm Ext 6. Other projects that may commence soon depending on funding include Tanganani Ext 14 (mega project); South Hills Extension 2, Cosmo City Extension 16 as well as Tanganani Ext 7 among others.

e. Open Drains Conversions

As part of the implementation and development of Storm Water Master Plan (SMP), the JRA is converting all open storm water channel systems into underground pipe and or culvert systems. During the 2021/22 financial year the focus has been on Braamfischerville, Orange Farm and Ivory Park. A total of 3.05km open drains has been converted to underground drainage system to date.

The open channels contribute to flooding. Some of the flooding hotspots identified by the JRA and for which interventions are being considered include Ikwezi Drive and Mmila Road in Ward 47- Region D; Senaone - Umvoti Street in Ward 15- Region D; Mabalane Street in Ward 15 Region D; Mapetla Street, Sekoati and Malatsi Street in Ward 16 Region; Naledi - Madutlwa Street in Ward 20 Region D and Rathebe Passage in Ward 31- Region D. The short-term solutions for the above areas are currently implemented.

	
Image 5: Molwantwa Street, Ivory Park	Image 6: Molwantwa Street, Ivory Park
<i>Open drains converted to underground system</i>	

v. Traffic Management System

The JRA finalised the specification for the Traffic Management System which is expected to cost R15 million annually to collect a reliable amount of data for decision making.

vi. Mobility and Freight

The core mandate of Mobility and Freight Department is to maintain the traffic signals network, provide traffic engineering services as well as support movement of freight through the city’s network. This is done to support

the JRA’s core business that includes the provision and facilitation of traffic regulatory designs, approvals, traffic mobility information, traffic regulatory policy development and traffic management systems. JRA manages just above 2020 active traffic signals systems, including 28 SANRAL intersections and implements and maintains the traffic signals infrastructure. In line with level 1 maintenance, proactive maintenance plan continues to be done according to schedule, including technical audits, to identify other problems before public complaints, in addition to JRA’s remote monitoring systems (RMS) information. This work is conducted through dedicated teams of technicians and workmen allocated to each region.

 Image 7: Northview Road, Region E-Traffic poles maintenance	 Image 8: Northview Road, Region E, Traffic signal maintenance
Traffic Lights maintenance	

Freight Movement Support Activities

In 2021/22, the JRA continued to monitor and conduct inspections on roads network in support of freight movement in relation to road markings and relevant signage. 1 258 Relevant signage and markings (1 258) were implemented including but not limited to speed restrictions signage, loading signs and markings near shopping complexes and markings around City Deep. As part of the efforts to spread awareness on road safety and overloading impact on the City infrastructure, the unit will be conducting awareness campaign in conjunction with JMPD and Fresh Produce Market.

The development of the Intelligent Transport System (ITS) Strategy

The department commenced with the development of the ITS strategy at the beginning of the financial year 2021/2022. The ITS Strategy is being developed as a practical implementation tool to inform the deployment of intelligent transport systems in Johannesburg to enable the City to manage data gathered from outstation equipment and then collating / disseminating the associated information. The Table below indicates the project plan as was concluded between the JRA team and the Consultants.

The development of the ITS Strategy is at 70% and expected to be finalised by the end of the 1st Quarter of 2022/23 financial year. The following activities have been completed;

- Data collection, analysis and filtering of relevant documents, strategies and programmes by National Government, Province, CoJ and JRA that could have an impact on the future strategies of the JRA.

- Preparation of scenarios that could be relevant to the JRA in implementing ITS projects. Focus on urban mobility, traffic data collection and information dissemination to both internal and external users of the roads networks.
- A seminar was held to look at some of the developments internationally affecting urban spaces and cities in relation to traffic management and incorporation of new order as it is necessitated by changes in how cities operate. These included insights on how freight movement is supported, some of the traffic signals management equipment and lastly on:
 - Implications of self-driving cars on road design
 - Detection of road marking by Lane Keeping Systems
 - Effects of (semi) self-driving cars on traffic and behaviour

The re-establishment of the Urban Traffic Management Centre in the JRA.

The JRA is continuing with the re-establishment of the Traffic Management Centre (TMC) in the new building. To date;

- Progress has been made with the resealing of the 4th floor and the waterproofing in floor 3;
- The floor planning design team also presented options in relation to the changes that will be required in order to set up the TMC;
- It must be noted that these changes are dependent on the lease agreement being concluded; and,
- Staffing of The TMC has been requested and the department is awaiting the finalisation of this process.

vii. Infrastructure Maintenance

The JRA is responsible for both proactive and reactive maintenance of the road network within the CoJ. The activities include, among others, routine maintenance, patching and repair of potholes and reinstatements, resurfacing, footways maintenance, road signs and markings, manhole covers, kerb inlet tops, guardrail and replacement of regulatory road traffic signs. This maintenance work is conducted across the 7 regions supported by contractors. The A Re Sebetseng initiative also improved backlog reduction and targeted maintenance per region focusing on patching, repairing stormwater infrastructure, reinstatements, road markings, repairing guardrails and skofelling. The exercise is conducted in conjunction with ward councillors of the respective areas. Overall, the A Re Sebetseng initiative has resulted in over 60% reduction in the maintenance backlog.



A Re Sebetseng initiative in Region F



Image 9: Road Marking, Nirvana Roads, Lenasia



Image 10: Road Marking, Nirvana Roads, Lenasia



Image 11: Road Markings, Walton Avenue, Midrand

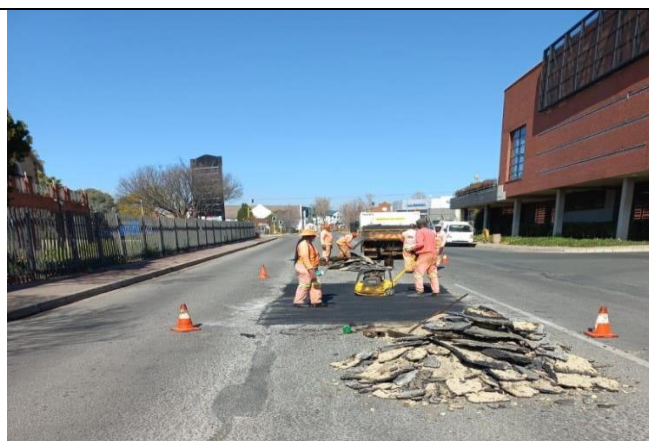


Image 12: Patching, Stone Haven Road, Paulshof, Region A

A Re Sebetse Initiative

viii. Governance and Internal Processes

Key to this programme is the creation of short-term Expanded Public Works Programme (EPWP) job opportunities and employment of local emerging Small, Medium and Micro Enterprises (SMME) contractors. A total of 303 EPWP jobs were created against the target of 250 while a total of 106 emerging contractors were engaged against the target of 70.

Table 3.3: SMME Support and EPWP opportunities

Description	Q1	Q2	Q3	Q4	Annual Target
Jobs created	58	148	45	52	250
SMMEs supported	62	23	13	8	70

Section 4: Performance against Service Standards

The company has 7 service standards on the Customer Charter of the CoJ. Each of the standards has 3 sub-targets. Of these sub-targets (21), the company managed to achieve 17 (81%). The table below presents the progress JRA service level standards. The graph below presents annual performance against these standards.

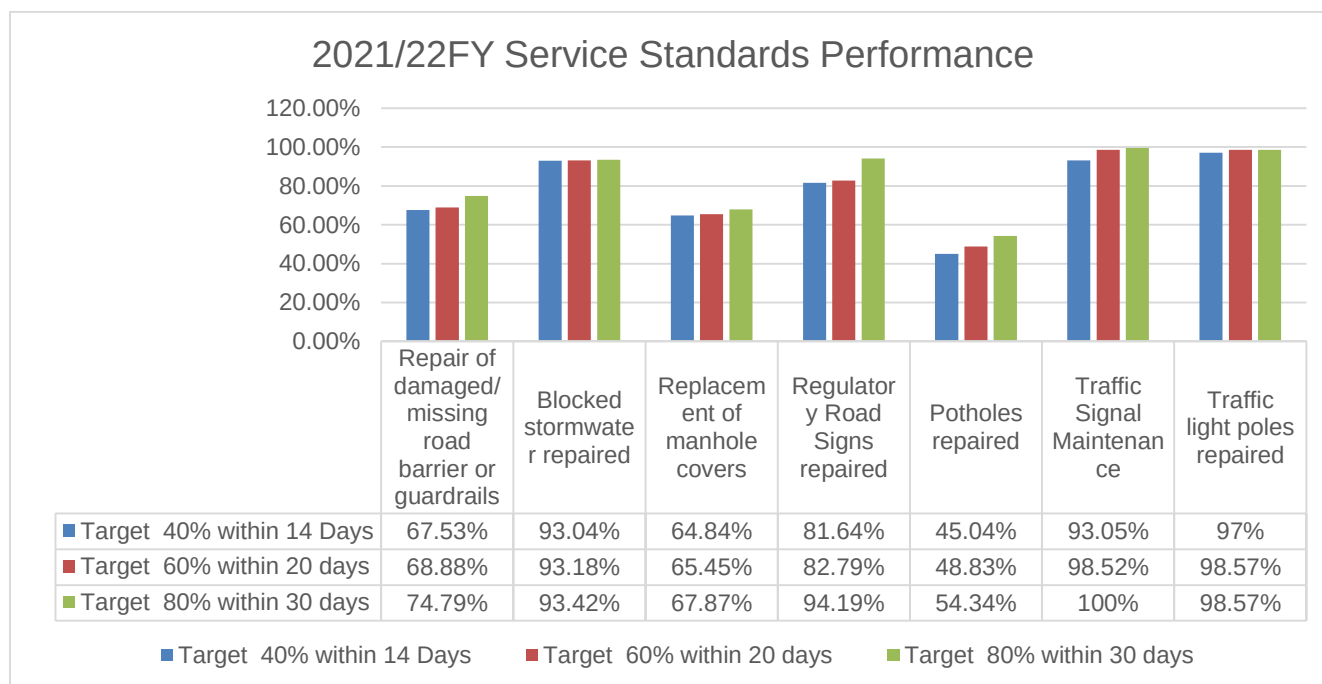
JRA Service Standards

Table 3.4: JRA Service Standards

KPA	KPI	Programme	KPI	Target
JRA Customer Charter Standards	1	Repair of damaged/missing road barriers or guardrails	% of damaged / missing road barriers or guardrails repaired from when a valid call is logged.	40% within 14 days.
				60% within 20 days.
				80% within 30 days.
	2	Blocked storm water repairs	% of blocked storm water kerb inlets (KI's) repaired from when a valid call is logged.	40% within 14 days.
				60% within 20 days.
				80% within 30 days.
	3			40% within 14 days.

KPA	KPI	Programme	KPI	Target
		Replacement of manholes covers	% of missing JRA manholes covers made safe and replaced after a valid call is logged	60% within 20 days.
				80% within 30 days.
		4 Regulatory Road Traffic Signs repaired	% of reported damaged/missing regulatory road traffic signs replaced or repaired from the time when a valid call is logged	40% within 14 days.
				60% within 20 days.
				80% within 30 days.
	5	Potholes repairs	% of reported potholes repaired from time of recording of a genuine pothole by the JRA from all sources. ¹	40% within 14 days.
				60% within 20 days.
				80% within 30 days.
	6	Traffic Signal Maintenance	% of reported faulty traffic signals repaired from the time of genuine fault recorded by the JRA from all sources	40% within 24 hours.
				60% within 48 hours.
				80% within 7 days
	7	Repair of damaged traffic light poles	% of reported damaged traffic signal poles repaired/ from when a valid call is logged	40% within 14 days.
				60% within 20 days
				80% within 30 days.

Figure 3.2: Performance Against Service Standards



Section 5: Performance against Predetermined Objectives

The following table depicts the key performance indicators (KPIs) for the 2021/22 financial period as approved in terms of the JRA's Business Plan 2021/2022 and mid-year budget adjustments. The company had 22 KPI's at the beginning of the year. Targets on one of these KPIs was adjusted to zero during mid-term budget

¹ Phakama, Hotline, Internal JRA Staff, Urban Regional Inspectors (from Regional Directors Office), JRA Inspectors

adjustments while the other was removed from the scorecard. When the entity is assessed against 20 KPIs, 15 (75%) were achieved while 5 (25%) were not achieved. The Scorecard is formulated as follows;

Programme	Key Performance Area	Relevant KPIs
1	Institutional SDBIP KPAs	KPI No. 1 – 3
2	Circular 88 KPIs	KPI No. 4 – 12
2	JRA Strategy 2022 KPA's	KPI No. 13 -20

Table 3.5: Performance against pre-determined objectives

KPA	KPI No.	KPI	Baseline 20/21	Annual Target	Mid-term adjusted annual target	Annual Performance	Target achieved/ not achieved	Reasons for non-achievement and or exceeding target	Action plan to improve performance
INSTITUTIONAL SDBIP KPIS									
Road-Resurfacing	1	Number of lanes kilometres of roads resurfaced.	237,64 Lkm	56 L km	70 L km	131.19Lkm	Achieved	The programme progressed faster than anticipated. The budget was adjusted during mid-term for unfunded projects.	N/A
Roads - Gravel Roads to surfaced	2	Number of kilometres of gravel roads upgraded to surfaced roads	14.57km	5 km	10km	20.685 km	Achieved	The programme progressed faster than anticipated. The budget was adjusted during mid-term for unfunded projects.	N/A
Conversion of open Storm water channel	3	Number of kilometres of storm water drains converted to underground system	3.24km	1.5 km	3km	3.05 km	Achieved	N/A	N/A
CIRCULAR 88 KPIS									
	4	Percentage of unsurfaced roads graded	69.5%	62.5% (900km/1440 km)	N/A	514,357KM (71,44%)	Not Achieved	This activity was not achieved due to a combination of lack of plant and inclement	To get additional plant through Fleet and Plant to enhance performance.
	5	Percentage of municipal road which have been resurfaced and resealed	5.941%	3% (*56km/4000 km)	N/A	3.28 %	Achieved	N/A	N/A

KPA	KPI No.	KPI	Baseline 20/21	Annual Target	Mid-term adjusted annual target	Annual Performance	Target achieved/ not achieved	Reasons for non-achievement and or exceeding target	Action plan to improve performance
Road Resurfacing	6	Kms of new municipal roads lanes built	New	10	N/A	41.37 km	Achieved	The programme progressed faster than anticipated. The budget was adjusted during mid-term for unfunded projects.	N/A
Customer Charter	7	Percentage of reported pothole complaints resolved within standard municipal response time	New	40%	N/A	45.04%	Achieved	N/A	N/A
Governance	8	Staff Vacancy Rate	New	12%	N/A	11.8%	Achieved	Moratorium to put the recruitment process on hold	Re-basing Circular to differ all recruitment process to the next financial year
Governance	9	Percentage of vacant posts filled within 3 months	New	0.5%	N/A	1%	Not Achieved	Moratorium to put the recruitment process on hold	Re-basing Circular to differ all recruitment process to the next financial year
Governance	10	Number of active suspensions longer than three months	New	28	N/A	16	Achieved	N/A	N/A
	11	Quarterly salary bill of suspended officials	New	R12 000 000,00	N/A	R6,227,061.38	Achieved	Efficient Reviewing of processes.	N/A
Clean Audit	12	Number of repeat Audit findings	New	4	N/A	2	Achieved	N/A	N/A

KPA	KPI No.	KPI	Baseline 20/21	Annual Target	Mid-term adjusted annual target	Annual Performance	Target achieved/ not achieved	Reasons for non-achievement and or exceeding target	Action plan to improve performance
ENTITY SCORECARD									
Bridge Management (Renewal / Improvements / upgrades)	13	Number of bridges (pedestrian & vehicular) being reconstructed and rehabilitated	9	6	N/A	6	Achieved	N/A	N/A
Traffic Signal maintenance	14	Number of signalised traffic intersections upgraded	47	40	N/A	101	Achieved	Due to the continuation of construction work from 2020/21 financial year, the overall programme progressed faster than anticipated and the annual target exceeded	N/A
Strategy 2022 – Year One	15	Number of SMMEs supported	104	10	70	106	Achieved	Most contractors were appointed last quarter of the previous financial, hence more progress was made during the second quarters of the current financial year.	N/A
	16	Number of EPWP jobs created	474	80	250	303	Achieved	Most contractors were appointed late in the previous financial year, hence more work opportunities created in the first and second quarter of the current financial year, which contributed to the over achievement.	N/A
	17	Percentage budget expenditure on implementation of the storm water	44%	95%	N/A	100%	Achieved	Project progressed faster than anticipated. Two contractors were appointed in the last quarter of 2020/21	N/A

KPA	KPI No.	KPI	Baseline 20/21	Annual Target	Mid-term adjusted annual target	Annual Performance	Target achieved/ not achieved	Reasons for non-achievement and or exceeding target	Action plan to improve performance
		master planning project						and work is in progress with both contractors	
	18	Percentage of budget expenditure of M1 Motorway Renewal and Rehabilitation	66.08%	100%	N/A	86.49%	Not Achieved	There is currently no contractor implementing the work, hence expenditure is below target.	The appointment of the resurfacing panel is in progress. it is anticipated that the contractor appointment will be finalised in the new financial year
Strategy 2022 – Year One	19	Percentage of budget expenditure of M2 Motorway Renewal and Rehabilitation	100%	100%	N/A	98.19%	Not Achieved	All the works that was planned to be undertaken in the 21/22 FY was completed. The quantities were slightly reduced on site as it was evident that certain sections did not require the anticipated depth of milling, hence a minor savings was realised. However with the remaining 1.81% of the budget it was impractical to undertake any works on the M2 main carriageway	Works on the main carriageway to be undertaken in the 22/23 FY
	20	Percentage of budget expenditure on M70 (Soweto Highway Motorway Renewal and Rehabilitation)	87.4%	100%	N/A	78.12%	Not Achieved	Resurfacing panel of contractors expired before project completion	SCM processes are currently underway. We anticipate finalising the appointment in quarter two of the new financial year.

Section 6: Public Satisfaction on Municipal Services

This 6th Quality of Life Survey results from the Gauteng City-Region Observatory (GCRO) showed a decline of 11% from 61% that was achieved in the previous survey. Residencies within the City of Johannesburg across various regions that were sampled have shown dissatisfaction levels with the current condition of the roads, 50% of the residence of the sample are not satisfied with the roads where they live.

Section 7: Recommendation and Plans for the Next Financial Year

The post-pandemic workplace environment has improved significantly for 2022/23, the JRA has put in place a number of performance improvement plans. These are focused on areas where most challenges were experienced in the previous financial year. These plans include the review and development of JRA Strategy 2028, improvement of the service delivery model by enhancing the current A Re Sebetse programme, finalisation of the VCI Assessment and development of proactive infrastructure development and maintenance plans amongst other initiatives.

CHAPTER 4: HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

The JRA aims to be the employer of choice within the City of Johannesburg by employing a progressive policy framework that ensures the recruitment and retention of talent through the Human Capital Management function. The company's employment policy allows employment practices that help to attract the best talent and remuneration policies that motivate and retain talented employees and create a desirable and appealing work environment. The company periodically reviews all its employment policies and practices in line with applicable prescripts to ensure that it remains relevant and competitive in attaining and acquiring the best talent in the labour market.

Section 1: Employee Remuneration

Table 4.1: Total employee costs

Category	Amount (R)
Executive Management	R 4,801,070.77
Senior Management	R 6,915,511.06
Professionally qualified and experienced specialists and mid-management	R 37,270,555.56
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	R 63,883,780.08
Semi-skilled and discretionary decision making	R 8,790,999.28
Unskilled and defined decision making	R 28,245,802.93
Total	R 149,907,719.68

*Total Costs include executives.

Table 4.2 2021/22 Staff cost as a percentage of adjustment operating budget.

R	Q1	Q2	Q3	Q4	Actual
Total Salary Cost	196, 491	220, 495	184, 746	205,469	807,201
Quarterly Adjustment Operating Budget	400,750	400.750	400,750	400,750	1,603,000
% of Salary to Operating Budget	49%	55%	46%	51%	50%

Please note that included in the salary cost are the cleaning and security staff, that are paid by COJ and charged to JRA.

Section 2: Key Vacancies

Table 4.3: Progress in relation to the filling of key vacant posts as at 30 June 2022.

Vacant Post	Progress
CEO	Position advertised, shortlisted, and interviews conducted, process at vetting stage.
HOD:PR&SE	Screening process concluded, awaiting shortlisting date.
HOD: ID	Screening process concluded awaiting shortlisting date.

Vacancy Rate

This section provides information about rate of vacancies against the total population of funded posts within the approved organisational structure. The company has 2646 authorised positions on the approved structure. Of the total approved posts, only 1921 (72,6%) positions are funded while 725 (27,4%) not funded since the approval of the structure. Of the 1921 funded positions, 1608 (83,7%) are filled and 313 (16.3%) are vacant.

The status quo remains the same as reported during the previous quarter regarding the moratorium placed on positions at Level 3 – 9. The JRA is currently waiting for the moratorium to be uplifted so as to resume with recruitment activities. However, the recruitment process for the Chief Executive Officer of the JRA is underway

currently at vetting stage whereas the process for the appointment of the two HOD's i.e. Head of Department: Public Relations and Stakeholder Engagement (PRSE), and Head of Department: Infrastructure Development (ID) have been put on hold awaiting finalization of the CEO appointment.

Table 4.4: Vacancy ratio

Grade / Level	Authorised Complement	Number of funded Vacancies	
		Q4	% Vacancies
Executive Management + HODs	9	3	33.33%
Senior Management	32	2	6.25%
Professionally qualified and experienced specialists and mid-management	102	3	2.94%
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	211	14	6.63%
Semi-skilled and discretionary decision making	867	61	7,03%
Unskilled and defined decision making	1425	230	16,14%
Total	2646	313	11.82%

Staff Turnover

The total percentage of staff turnover versus the authorized staff numbers for the 4th quarter is 0.34%) as illustrated in the table below:

Table 4.5: Staff Turnover

Turnover (Reason)	Staff Leaving JRA				Total
	Q1	Q2	Q3	Q4	
Resignation	3	8	3	4	18
Death	3	0	1	1	5
Dismissal	0	0	1	0	1
Medical Boarding	0	0	0	0	0
Retirement	3	8	3	4	18
Contract Termination	2	0	0	0	2
Total	11	16	8	9	44

As demonstrated in the table above, the main reasons for exits were resignations and retirement. The company continues to monitor the number or percentage of workers who leave the organisation as well as the reasons provided for leaving the entity.

Staff Movement

The below table provides an illustration of the staff movement recorded under this reporting period. Of interest to note is that the staff movement numbers are concentrated around African male employees.

Table 4.6: Staff Movement

Staff Movements	African		Coloured		Indian		Whites	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	0	0	0	0	0	0	0	0
Recruitments	-	-	-	-	-	-	-	-
Resignations	3	1		-	-		-	-
Death	1	-	-	-	-	-	-	-
Dismissals	-	-	-	-	-	-	-	-
Retirements	4	-	-	-	-	-	-	-

Section 3: Employment Equity

Disability Access Audits

Facilities Management has completed the Disability Access Audits at all JRA premises. The organization is in urgent need to update and upscale current facilities to enable the organization to be compliant with the Disability standards to afford reasonable accommodation to disable employees. A lot of planning, time and resources needs to be made to get our facilities up to standard.

Employment Equity (EE) Committee

EE Committee members met to review both the draft Disability Management and the Employee Equity Policies. Matters of unfair discrimination, bullying, victimisation, grievances and recruitment were highlighted, more emphasis should be put on these matters. EE Office will embark on the road shows to raise awareness and educate employees on the issues raised. EE Committee and union roles were also discussed and clarified, training will be provided in the new financial year.

Women's Desk

The JRA Women's Desk had a training session from the CoJ (Social Development) on the Draft Strategic Framework on Gender-Based Violence and Femicide. The desk also arranged a Pre-Retirement training for female employees aged 55 years and above. The training included information on retirement planning and investment opportunities. Furthermore, it also included a session from SASSA to inform them about grant rights, opportunities and responsibilities.

The Women's desk has become aware that many JRA workers are struggling financially. They established that;

- Reliance on overtime and standby allowances;
- Some employees are homeless;
- Some receive a negative salary (their take home amount is a negative amount).

The Women's Desk is concerned and will the rolling out of financial education. The desk arranged an information session with a credit regulating company to explain possible options to assist JRA employees who are currently over indebted from different credit providers. Further training will be rolled out in the new financial year.

Table 4.7: JRA Workforce Profile

Description	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Province population	45.30%	1.30%	1.90%	7.40%	35.70%	1.30%	1.00%	6.10%	

Current no employees	1002	12	7	36	527	9	3	19	1615
Required no of employees to EAP	745	21	31	121	587	21	16	100	
Gap	257	-9	-24	-85	-60	-12	-13	-81	
Current %	62.40%	0.70%	0.40%	2%	32.50%	0.60%	0.10%	1.20%	100%
Gap %	-17%	0.60%	1.50%	5.30%	3.20%	0.70%	0.90%	4.90%	
Representation status	over	under	under	under	under	under	under	under	

Section 4: Skills Development and Training

Table 4.8: Status of skills development at JRA

Strategic Skills	Education and Training Priority	Internal Training Provider	External Training provider	Total Number of Training
Improve Efficiency	Interns	-	-	-
	Degrees/Diplomas/Certificates (Employees)	-	-	-
	MFMP	-	46	46
	MFMA Senior Managers	-	4	4
	Contract Revenue Adjustment	-	20	20
	Assessor & Moderator	-	13	13
	Electrical Training Apprenticeship	-	6	6
Improve Efficiency	Performance Management Scoring Sheet Training	241	-	241
	Barricading	-	149	149
	Road Construction	-	42	42
Total				521

Section 5: Performance Management

As of 1 July 2021, the newly approved Performance Management and Development policy came to effect. The new PMD policy applies to all employees of the JRA from levels 1 to 9.

The deadline for submitting the half-yearly Individual Performance Report was January 31, 2022; however, due to difficulties encountered by employees, management granted an extension until March 31, 2022.

The Performance Management unit is currently training Depot employees to complete their half-yearly reports (Individual Performance Report, Team Report, and Performance Score Sheet). The half-yearly training started on February 28, 2022, and ended on March 24, 2022, while the scoring sheet began on June 15, 2022, and will end on July 14, 2022. So far, 133 employees have participated in the training sessions. For the financial year 2021/22, the submission percentage for Balanced Scorecards, Performance Agreements (80.03 percent), and Half – Yearly reports is (56.39 percent), respectively (inclusive of all levels).

Section 6: Disciplinary Matters and Outcomes

Disciplinary Cases conducted and finalized

The following disciplinary cases were conducted in 2021/22 Financial Year

Table 4.9: Disciplinary cases conducted and finalised

Nature of Case	Number of Employees	Outcome
Absenteeism	2	1 Dismissal
Dishonesty (Deviating from designated route)	1	Finalised. Final written warnings issued
Racism	1	1 Hearing to continue (28,29.07.2021; 18,19.08.2021; 21,22.09.2021) (ER instructed to put the hearing on hold, pending negotiations between SAMWU and CEO)
Conflict of interest	1	Hearing in progress (4.03.2022)
Violating COVID regulations	1	Hearing in progress (13,14.01.2022) Main witness currently still on maternity leave
Dereliction of duties	3	Hearings in progress
Irregular expenditure	5	Matter referred to COJ Disciplinary Board
Attempted theft	6	Hearings in progress (3 – 9.05.2022; 10.06.2022; 28.06.2022)
Illegal strike action	54	54 employees charged. Hearing in progress. (ER instructed to put the hearing on hold pending negotiations between SAMWU and CEO)
Alleged non-disclosure	1	Finalised. Final Written Warning

Suspensions

There are currently eight (8) recorded cases of employees on suspension during the reporting period. One (1) suspension was uplifted after the finalization of the hearing. The table below reflects the circumstances and duration of each of these cases.

Table 4.10: Suspensions at JRA

Position Description / Designation	Category of Violations	Date of Suspension	Date of upliftment	Details of Disciplinary Action taken or Status of Case
Ops Manager SCM Level 3	Alleged interference with tender processes	2022.06.13		Investigation in progress
Special Workman	Alleged copper theft	2022.03.18	2022.06.01	Finalized. Written warning
HOD: R/O Level 2	Dereliction of duties	2020.10.06		1.02.2021;19.02.2021;22,23.06.2021; 13,14.07,2021; 28.09.2021; 12,13,15.10.2021; 22.11.2021; 15.12.2021; 3.02.2022; 1,3.03.2022; 22,25.04.2022; 10-12.05.2022; 24,25.06.2022; 13-5.07.2022.
Security Officer	Attempted theft	2022.03.04		3.05.2022; 10,28.06.2022
Security Officer	Attempted theft	2022.03.04		4.05.2022; 10,28.06.2022
Security Officer	Attempted theft	2022.03.04		5.05.2022; 10,28.06.2022

Security Officer	Attempted theft	2022.03.04		6.05.2022; 10,28.06.2022
Security Officer	Attempted theft	2022.03.04		9.05.2022; 10,28.06.2022
General Worker	Alleged theft	2022.06.01		Hearing to start
Technical Officer: Fleet & Plant	Alleged non-disclosure	2022.06.01		Finalised. Final Written Warning

Conciliations, arbitrations, and grievances

Table 4.11: Conciliations, arbitrations, and grievances

NAME	NATURE OF DISPUTE	PROCESS	STATUS
Ronnie Molefe	Unfair dismissal	Arbitration	Arbitration in progress.
Kganelwa Tsatsi	Unfair dismissal	Arbitration	Award in favour of the employee. Award on review of the Labour Court.
Sifiso Gumbi	Unfair dismissal	Arbitration	<i>In limine</i> ruling on review in favour of the JRA and remitted back to the SALGBC to be ruled on by a different arbitrator.

Section 7: Leave & Productivity Management

A summary of the leave provisions during the 2021/22 financial year is presented below:

Table 4.12: Leave and productivity management.

Category	Number of leave days
Annual leave	1943
Sick leave	2222
Family Responsibility leave	328
Study leave	124
Long service leave	136
Extended sick leave	185
Unpaid leave	275
Leave encashment	1768

The table below provides information on Health and Wellness programmes that were embarked upon during the financial year.

Table 4.13: Employee Wellness

Program	Activities
1. Health Promotion	
Blood Drive	In the financial year, 2021/2022, three blood drives were conducted on the 1 st of February 2022, 5 April 2022, and the last on 09 June 2022. On all occasions,

Program	Activities
	the number of blood donors and the facilities provided by JRA for blood donation met the South African Blood Services' requirements.
2. Physical Wellness	
Health Screening	A Health screening program was conducted in the first quarter from 20th September till 12 November. The following checks were made available; Blood Sugar Level Check; Blood Pressure Level Check; Body Mass Index (BMI); Cholesterol Level Check; Cancer Screening; Advice on Health Issues, Eating & Stress Management; Optometrist – vision screening; Audiologist – hearing screening; Dentist – oral examination; Dietician – nutritionist to advise on food and nutrition; and Orthoptists – practitioner will check the feet and the skeletal system. In the fourth quarter, no Health Screening due to budget limitations.
Depot wellness visits	In the last quarter, the depot Wellness visits are in the Wellness Unit's recent strategy of going to the depots to increase the accessibility of Health and Wellness services. The program is intended to last the entire year. Every two weeks, each depot is visited. As a result of this strategy, EAP demand has increased significantly.
3. Goal Setting & Financial Wellness	
Budgeting	In the second quarter, information education on personal budget management was shared on the Communications platform.
Goal Setting	In the second quarter, information education on goal setting was shared on the Communications platform.
4. Psychosocial Services	
Psychosocial Support Services (External Service Provider)	Preparations were made for the appointment of a new service provider for the year 2022. Unfortunately, the process was halted by the 2021/2022 FY Budget Rebasing exercise which discouraged the appointment of external Service Providers.
5. Psychosocial Services	
Psychosocial Support Services (External Service Provider)	In the fourth quarter, preparation was made for the appointment of a new service provider for the year 2022. Unfortunately, the process was halted by the 2021/2022 FY Budget Rebasing exercise which discouraged the appointment of external Service Providers.
6. Managerial EAP Training	
EAP Training for Manager	An EAP Manual was developed to help Managers/Team Leaders and Supervisors become more familiar with program issues. The EAP training started
7. General wellness education	
COVID 19 in the Workplace Key Focus this quarter: Vaccination	COVID-19 Related Information, Education & Communication: in the first quarter, the Wellness Unit presented and distributed information about the COVID 19 Vaccination, in line with COJ protocols and information sharing. (ii) Sharing information about JRA testing sites and vaccination sits (iii) Encouraging

Program	Activities
	employees to vaccinate (iv) The Wellness Champs were equipped to deal with the queries and concerns regarding COVID 19 at depot level. Provision of Psychosocial Support: An information brochure on the COVID 19 Vaccination Myths developed by PHS was shared during depot visits by the Wellness Team. The information was posted on all depot JRA noticeboards.
Substance Abuse Focus: Fetal Alcohol Syndrome	In the first quarter the focus was on Fetal Alcohol Syndrome. Education material was shared on the JRA Communications Platform.
Substance Abuse Focus: Supporting a loved one	In the first quarter, information sharing regarding how to support and encourage a loved one through rehabilitation period
Men's Health: Vasectomy	Information was shared on debunking the myths of vasectomy
Gender Based Violence within COVID 19 pandemic	In the first quarter, information was shared highlighting the relationship between COVID 19 and an increase in GBV among intimate partners.

Counselling services

In addition to the aforementioned programs, the following interventions are also used to address various personal problems encountered by staff that require psychological / counselling services. These ranged from requests to address child behavioural problems to post-traumatic stress disorder issues. These were handled using a combination of telephonic and face-to-face sessions, with the latter being the most common.

Table 4.14: Counselling Sessions

Client/ Event No.	Primary Presented Condition/ Issue	Referring Unit / Depot	No. of Sessions	Process/ Outcome
1	Absenteeism; Shosholoza debt; Debt Counselling	Zandfontein	2	Ongoing: to review progress on financial management by mid-June
2	Absenteeism	Zandfontein	1	Ongoing. Plan to follow up before payday.
3	Anxiety attacks related to retirement	Zandfontein	2	Ongoing
4	Managerial support: Sick leave abuse	Finance	1	Employee to be referred to Wellness.
5	Family challenges, marital challenges	Finance	8	Ongoing, also meeting with partner
6	Sick leave abuse	Finance	3	To monitor the effectiveness of counselling intervention. Awaiting feedback from Manager
7	Conflict Resolution	IT	2	Follow up

Client/ Event No.	Primary Presented Condition/ Issue	Referring Unit / Depot	No. of Sessions	Process/ Outcome
8	Multiple traumatic stress	IT	2	Referred to external service provider
9	Managerial support	IT	1	Ongoing
10	Bereavement and accident trauma	Hamburg	1	Ongoing
11	Financial challenges, Shosholoza & Bayport debt	Norwood	1	Gave a support letter to Child Maintenance Court
12	Seems to be mentally unstable	Norwood	1	To follow up with manager on original assessment
13	Bereavement	HCM	1	To continue when the need arises
14	Stress and anxiety	Planning	1	Ongoing
15	Marital Challenges	SCM	1	Referred for marital counselling to external service provider
16	Health challenges	Hamburg	1	Ongoing
17	Personal and distressed	Motorways	3	Ongoing
18	Couple/Financial challenges	Midrand & Norwood	2	Ongoing
19	Personal (marital)	Head office	1	Sessions completed
20	Distress	Fleet and plant	1	Sessions completed
21	Distress. Financial	RSD	1	Ongoing
22	Trauma counselling (high jacking)	Benrose	1	Terminated (Hostile client)
23	Distress relating to work environment	Head office	2	Ongoing to discuss Occupational Therapist report
24	Suffering from health condition making it challenging to perform duties	Waterval	1	Awaiting medical report from private medical specialist.
25	Poor work performance	TQM	2	Ongoing
26	Managerial Support	Legal	1	Ongoing
27	Absenteeism, Ill-health	Norwood	1	Ongoing, requested medical report from treating doctor
28	Query sick leave abuse	Finance	1	Ongoing
29	Marital discord/Imminent divorce proceedings	SCM	3	Awaiting a consultation report from the external service provider. The Wellness intervention is ongoing.
30	Absenteeism/Uncommu- nicated absence from work.	Hamburg Depot	One Zoom meeting with the employee	The meeting resolved that Annual leave or sick leave should have been utilized instead of uncommunicated absence from work which carries a penalty in terms of applicable HR prescripts and regulations.
31	Post traumatic intervention after robbery at gun point	Zandfontein	1	To be referred to Psychologist
Referred to external Service Provider				

Client/ Event No.	Primary Presented Condition/ Issue	Referring Unit / Depot	No. of Sessions	Process/ Outcome
1	Multiple trauma	IT	1	Ongoing
2	Post-traumatic Stress Debriefing post MVA	Hamburg	1	Ongoing
3	Marital Challenges	SCM	1	Ongoing
4	Trauma Debriefing	Zandfontein	1	Awaiting report from Psychologist

External Service Provider

Thirteen sessions were rendered by Pro-Health Solutions services and the table below is a representation of cases by region/ department.

Table 4.15: Interventions

Intervention	Requesting Unit	No. of service beneficiaries
Trauma	CS	3
Relationship issues	Finance	3
Emotional issues	Benrose	3
Adjustment issues	Head Office	4

Section 8: Employee Benefits

As prescribed in the Basic Conditions of Employment Act (BCEA) the employees are provided with a range of employment benefits by the company. There is strict compliance to and reliance on the legislation to help shape and improve, within the prescribed provisions, our employee benefits regime that supports and adds value for all employees.

Pension Fund Benefits

Employee pension benefits are provided by the company through membership in the following accredited funds:

- i. e-Joburg Retirement Fund;
- ii. Municipal Employees Pension Fund;
- iii. Municipal Gratuity Fund;
- iv. Joint Municipal Employees Pension Fund;
- v. Soweto Pension Fund; and,
- vi. City of Johannesburg Pension Fund.

Table 4.16: Pensions and Medical Aid Funds

MEDICAL AID	Name of the Medical Aid		No of employees
	Bonitas		377
	Key Health		124
	Sizwe Hosmed		59

	LA Health	279
	SAMWU Med	191
	Non members	578
	Total	1608
PENSION FUNDS	Name of Fund	No of employees
	E-Joburg	1381
	City of Johannesburg Pension Fund	170
	Municipality Gratuity & Pension Fund	54
	National Fund for Municipal Workers	1
	Employees who were given the option to have their own Retirement Annuity when employed by JRA	2
	Total	1608

Section 9: Occupational Health and Safety Programmes

Health & Safety Programmes

Injury incidents at the company are reported using Disabling Injury Frequency Rate (DIFR) values. DIFR is defined as the number of disabling injuries per 200 000 employees' hours worked over a 12-month period (an accident resulting in the loss of one or more shifts). The acceptable and recommended best practice DIFR value is one (1). It is important to manage injury incidents to levels below the value of one. In the 4th quarter, twelve (12) disabling injury cases were reported.

Table 4.17: Injuries on duty

	Activity	Q1		Q2		Q3		Q4		Target / Comment
		20/21	21/22	20/21	21/22	20/21	21/22	20/21	21/22	
	Injuries on Duty (No of reportable cases)	3	6	4	9	4	13	5	12	The acceptable and recommended best practice DIFR value is a value of one.
Injuries on Duty	Reportable Cases Rate (DIFR)	0.173	0.9699	0.3	0.69	1.57	1.25	0.819	1.73	
	KPIs									

The table denotes that the DIFR is above the value of one (1) and currently standing at 1,73 which is above the acceptable level. Table 4.17 demonstrates the comparison between Q4 in 2020/21 and 2021/22 financial year with the lowest at five (5) accidents and a high of twelve (12) accidents, respectively. Recorded injuries during Q4 are as follows: In April (2), Avalon and Zandfontein), May recorded the highest incidents at (8) i.e. Traffic Signals (2), Benrose (2), Norwood (1), RSD (2), Midrand (1). During June 2022, recorded two (2) injuries, i.e. Midrand (1) and Zandfontein (1).

Current implemented mitigating measures

The Safety and Health Environment (SHE) Unit has recommended that an action plan be developed by Mobility & Freight as well as Regional Operations Departments to ensure that the depot managers implement planned preventative measures and reduce the level of occupational accidents at the depots.

Summary of Occupational Accidents (April – June 2022)

In 2021/22 financial year, the entity experienced 38 instances of occupational accidents in which employees were injured on duty, largely in the depots. Beyond investigating these occurrences, to further mitigate these occurrences the Depots implemented several interventions that include drive awareness sessions, daily tool box talks

COVID-19 Management

The entity had 94 recorded cases of COVID 19 in which employees declared their COVID status and 62 communicated their recovery status. The entity recorded one official fatality from COVID-19 in the financial year. During 2021/ 22 financial year, there were 24 480 employee screenings, eighty-one (81) COVID-19 tests were conducted and forty-three (43) positive COVID-19 cases were recorded. There were thirty (38) health and safety awareness sessions conducted to promote safe working environment and prevent the spread of Covid-19 in the workplace. This is reflected in table 14.18 below.

Table 14.18: Employee screening

LOCATION	NO.POSITIVE COVID-19 CASES	INTERVENTION		
		SCREENING	AWARENESS	TESTING
MIDRAND SITE				
April	3	1539	SHE Annual Awareness (4)	4
AVALON SITE				
April	1	1165	SHE Annual Awareness (4)	4
MIDRAND SITE				
May	7	2016	SHE Annual Awareness (4)	14
AVALON SITE				
May	3	1260	SHE Annual Awareness (2)	11
MIDRAND				
June	0	0	0	0
AVALON				
June	0	0	0	0

Approved SOP's

The JRA approved three new SoPs for Occupational Health Services (Lung function); Occupational Health Services (Audio assessment and Medical Surveillance) and COVID-19 Management. The entity also reviewed mine SOP for SHE workplace inspections, SHE File evaluation, SHE Committees, SHE Project briefing, Toolbox, Incident investigation, Injury on duty, Emergency drill, New employee SHE induction)

Number of days lost due to occupational injuries Q1-Q4

The financial implications as a result of occupational injuries amounted to R 272,148.89. There were 288 (injury on duty leave) days taken during the 2021/22 financial year end.

CHAPTER 5: FINANCIAL PERFORMANCE AND EXPOSURE

Section 1: Statement of Financial Position and High-Level Notes

Table 5.1: Statement of financial position

End of June 2022

	2021-2022 R (000)
2021/2022 Operating surplus (before taxation and interest)	R 56, 797 million
2021/2022 Cash on hand (Developer's account and loan to COJ)	R 748, 565 million
2021/2022 Accumulative Surplus	R 353, 035 million

(Refer to Annexure B for Statement of Financial Position)

Section 2: Statement of Financial Performance and high-level notes

Table 5.2: Statement of financial performance

Component	2021/22 Operating Budget	Actual (2021/2022)	Variance	Comment
2021/2022 Final Income	R'000 1, 603, 576	R'000 1, 597, 469	R'000 6, 107	Management fees are earned from capital projects, which are at 85% spend.
2021/2022 Final Expenditure	R'000 1, 603, 576	R'000 1, 524, 173	R'000 79, 403	Leased Vehicles expenses and other major accruals (e.g. HR and Provisions) are still being processed and may materially amend the variance
2021/2022 Final Surplus/ (Deficit) before taxation	R'000 0	R'000 73, 296	R'000 73, 296	N/A

Notes to financial position / performance:

The 2021/2022 Actual Income is slightly below the Adjustment Budget for the 2021/2022 financial year by R 6, 107 million. This is mainly due to the management fees being below budget as this is charged on capital projects done on behalf of COJ. The capital spent is only 85% of what was planned, therefore affecting the underachievement of management fees. Jobbings and Reinstatements were also under budget due to various factors such as limited availability of materials, COVID-19 related restrictions as well as unfavourable weather conditions.

The 2021/2022 Actual operating expenditure for the financial year is below the budget by R 79, 403 million mainly due to Consultants, Contractors and Leasing line items. In the context of necessary cost containment as per the National Treasury circular, management has drastically reduced non-essential expenditure including expenditure for consultants, travel and participation in events. Activities affected by COVID-19 such as workshops have been reduced to a minimum subject to COVID-19 protocol.

Over/Under spending:

2021/2022 Consulting fees: These are expenses related to the use of external consultants. Expenditure to date is at R6, 6 million or 23% of the Adjusted budget of R28 million resulting in a R21,7 million under spending within the line. This is due to the reduction on the use of consultants within the JRA, and such consultants were being utilized based on capacity needs. In addition, the JRA has been filling vacant positions to minimize the reliance on consultants.

2021/2022 Contractors expenditure: This expenditure relates to external contractors that the JRA uses for some of the maintenance work. The overall line item at end of financial year has accumulated expenditure of R137,2 million or 99% of the Adjusted budget of R137.7million this resulted in underspending of only R0, 5 million.

2021/2022 Repairs and Maintenance expenditure: Accumulated expenditure to date is at R9,5 million or 39% of the Adjusted budget of R24.4 million resulting in underspending of R14,9 million. The low spending is a result of limited progress relating to maintenance of JRA owned assets such as Depots and Head Office buildings as well as IT Equipment.

2021/2022 Materials expenditure: Material costs are R 25, 1 million over budget for the year. This is due to road and traffic signal maintenance demand. The large spending is also attributed to the work of the “A re Sebetseng” drive from COJ Mayor’s Office, which was prioritizing service delivery intensive “blitz” programs to address backlog of road maintenance in identified regions.

2021/2022 Leased Vehicles expenditure: This is the expenditure relating to the motor vehicles leased by JRA from service providers and costs from the City appointed fleet service providers. Accumulated expenditure to date is at R106, 2 million or 68% of the Adjusted budget of R156,8 million resulting in underspending of R50, 6 million.

2021/2022 Employee Costs: Accumulated expenditure to date is at R849, 2 million resulting in overspending of around R11 million. This includes the “insourced” security and cleaning staff expenses shown under Employee costs. The overspending is as a result of non-cash items including 13th cheque and other payroll accruals and provisions raised based on estimates and actuarial adjustments. The salary increases of 3,5% percent effective from 1 July 2021 was paid in October 2021, with the 1% pay progression as well as the once off payment of R 4 000 or R 3 000 in December 2021. With the Adjustment Budget that was approved in February 2022, the employee costs adjustment budget was increased by R58,533 million to cover the over expenditure on employee costs in the first 8 months of the financial year.

Section 3: Cash Flow Statement

Refer to Annexure C for 2021/2022 Cash Flow Statement

Section 4: Capital Projects and Expenditure

Table 5.3: Capital Projects & Expenditure (2021/2022 CAPEX expenditure)

Budget R'000		Q1 R'000	Q2 R'000	Q3 R'000	Q4 R'000
2016-17 (R 1 472 946)	Expenditure	R 213,645	R 519 286	R 702 044	R 1 288 026
	%	14,84 %	36,06%	47,7%	87,4%
2017-18 (R 1 121 086)	Expenditure	R 140 053	R 458 623	R 640 007	R 1 092 689
	%	11.5%	37,8%	57,1%	97, 4%
2018-19 (R 1 301 847)	Expenditure	R 162 494	R 494 152	R 681 126	R 1 292 145
	%	13.5%	40,96%	52,32%	99%
2019-20 (R 1 140 860)	Expenditure	R 340 901	R 682 223	R 798 737	R 934 522
	%	29, 88%	59,8%	70%	82%
2020-21 (R 978 195)	Expenditure	R 66 059	R 204 845	R 320 171	R726 092
	%	6,38%	19,78%	30,93%	74,23%
2021-22 (R 863 707)	Expenditure	R 147 585	R 354 669	R 497 383	R 736 820
	%	16,96%	40,76%	57,16%	85.31%

The JRA adjustment capital budget for the 2021/2022 financial year is R 863, 707 million. The 2021/2022 capital expenditure (including provisional accruals and commitments) for the 4th quarter is R 239,437 million and the year-to-date amount is R 736,820 million. This represents 27.72% spend of the total 2021/2022 adjustment capital budget in the fourth quarter and 85.31% of adjustment budget spent in the 2022 financial year. (Refer Annexure “D”).

Funding Source

Table 5.4: Funding Source

Details	Adjustment Budget (R'000)	Actual (R'000) (2021/2022)	2021/2022 % Spent
COJ Funded	680, 138	557, 379	82%
JRA Funded from Developers Contribution	65, 252	64, 894	99%
USDG	118, 500	114,547	97%
TOTAL	863,707	736,820	85%

Section 5: Ratio analysis

Table 5.6: Financial ratios

Ratio	Actual (2021/2022)	Target (FDP)	Performance Against Target (RAG Status)
Current ratio	1,78	1	
Solvency ratio	1,87	2	
Accumulated Surplus	R 353, 035m	R50m	
Cash on hand (overdraft)	R 748, 565m	R50m	
Salaries ratio	56, 5%	35%	
Repairs & Maintenance ratio	1%	7%	
Notes			
The JRA is a labour-intensive company and most of the maintenance work is done internally. Salaries paid to Regional Operations and Mobility & Freight departments personnel are not recorded under direct road maintenance costs. This explains the reasons for not meeting the target set of 35%. If the Regional Operations and Mobility & Freight department salaries are excluded from the remuneration ratio, it comes down to 24, 0%.			
Overall, the rounded off ratios are positive, and the company is financially sound and solvent.			
The 2021/2022 current ratio is 1, 78 compared to 1, 56 at 30 June 2021.			
The Repairs and Maintenance ratio only depicts the maintenance on JRA owned movable assets, but if the Operations and Traffic Signal Departments who do repairs and maintenance to roads and traffic signals, where the assets are capitalised by the City, are considered, this percentage is 57% for Repairs and Maintenance for the period ended 30 June 2022.			

Cost coverage: The 2021/2022 interim cost coverage ratio for JRA is 5, 6 months. This is calculated based on Cash on Hand (sweeping and developers contribution) divided by average monthly operating adjustment budget for expenditure.

Section 6: Supply Chain Management and BBBEE

Table 5.3: BBBEE Expenditure

	%	RAG Status
Total payments made (excluding payroll amounts)	68.89 % against a target of 75%	

Capex Percentage	-129,276,088.36	29.75%
Opex Percentage	-170,092,255.74	39.14%

The new Preferential Procure Policy Framework Act came into effect on 1 April 2017. The B-BBEE point allocations have changed which impact future reporting. JRA reported B-BBEE spend of 68.89% against a scorecard target of 75%.

Payment of suppliers within 30 days –

	Q1	Q2	Q3	Q4	Target
% compliance in respect of payment of all service providers within 30 days	99%	91%	99.77%	99.00%	100%

Table 5.4: Payment of suppliers within 30 days

Irregular expenditure – The opening balance was R640, 2 million in the beginning of the financial year, we have observed increase of R166, 552 million to date of-which R27 178 247.42 million is for the month of June 2022. The 2020/21 UIFW have been forwarded to Group Risk Audit Services (GRAS) at the city for further Investigation and we continue to follow up with GFIS / GRAS other old investigations. The City has appointed a service provider who is currently reviewing this item so that a proper submission could be made to Municipal Public Accounts Committee (MPAC) for the write-offs where possible.

Fruitless and Wasteful Expenditure – The Fruitless and Wasteful expenditure incurred for the 2021/2022 financial year is R27, 317 million. This relates to Eskom and Telkom invoices that were received late for payment as well as SARS interest on late payments and penalties. The SARS interest and penalties is currently being disputed by JRA as it relates to past allowances that SARS has now disallowed retrospectively. The bigger amount relates to an impairment of software costs incurred that JRA will not benefit from due to multiple factors that will be investigated.

Deviations - Deviations to date which were approved by the Accounting Officer and the CFO for Regulation 17 were for the Traffic Signals approved on rates, the provision of Air Quality baseline assessment at the Johannesburg Roads Agency Asphalt Plant and the provision of training and tender advertisement. The total deviations from July 2021 to June 2022 amount to R54, 081 million which is inclusive of COJ Fleet and Plant for the amount of R37, 541 million.

Debtors Performance

In the normal course of business, the JRA enters into transactions with various external parties, some of whom are Related Parties, other Government Entities and Third Parties. These transactions are deemed to be at arms' length whereby cash is paid upon exchange or payment terms are extended to the external party. In other instances, these transactions are of non-exchange nature. The following summary of the Age Analysis for the year by category of Debtor.

Table 5.8: Debtor age analysis

Description	Company %	Open Amount R	Current R	31-60 R	61-90 R	91-182 R	Over 182 R
Related Parties	91%	252,386,779	123,951,624	22,579,125	9,174,453	54,202,836	42,478,741
Other Govt. Entities	8%	22,018,254	-	-	5,729,601	-	16,288,653

Third Parties	1%	1,877,423	-	-	-	-	1,877,423
Total		276,282,456	123,951,624	22,579,125	14,904,054	54,202,836	60,644,817

a) The Debtors' book for the year has decreased by 49% from R537 million to R276 million, compared to last year same period. There were write-off bad debts to the amount of R24 million and set-offs of long-outstanding debtors against 3rd Parties that are doing business with JRA of R1 million. The collection efforts produced positive results on the cash-flow of the JRA in that the Income and Asset unit has managed to reduce debtors by 49%. Payments were made by the Related Parties on outstanding invoices.

b) Related Parties are those entities which fall within the ownership and control of the City of Johannesburg with whom the JRA does business. Under normal circumstances, the transactions between the entities are underpinned by the SLA failing which, a purchase order may become a trigger for doing business.

Of the total amount owed by debtors, 91% is attributable to Related Parties who pose minimal risk of payment to the JRA. The normal process requires all related entities to confirm the outstanding balances owing/owed to one another, as well as the transactions that gave rise to those balances.

This process ensures that all disputes are eradicated. Furthermore, due to the austerity measures of intercompany confirmations and reporting for each quarter and monthly, management is confident that the bulk of the invoices will be settled when all City of Johannesburg operations normalise.

The debtors book on this category has decreased from R517 million to R231 million for the year due to collections of outstanding debt from the CoJ. The R115 million which is over 90 days is mainly due to the following reasons:

- There are queries raised on invoices resulting in CoJ delaying the payments;
- Lack of response by the client despite several correspondence; and
- Service Level Agreement (SLA) issues that needs to be resolved between Infrastructure
- Development and Housing department.

a) Third Parties are non-government owned and controlled entities. They account for 1% of the total debtors' book. The debt has decreased by 45% from R3.5 million to R1.9 million. A follow up process is performed on all outstanding debtors and is yielding results and the retention monies from a debtor set-off the outstanding amount.

d) Other Government Entities are entities which are owned and controlled by other spheres of government but fall outside the City of Johannesburg. The amount outstanding is R22 million which accounts to 8% of the total debtors' book. Follow ups are being made on the over 60 days due for the Gautrans maintenance. A commitment to settle the account was made by DRT depending on SARS giving JRA a letter stating that clients of JRA can continue making payments to JRA even if non-compliance status is unresolved.

Table 5.9: Bad Debts Provision at 30 June 2022

Address Number	Description	Open AR Amount
1545622	Eyethu Translodge and Plant	1,646,185
120624	Asphalt Sales	267,796

1544930	Sipho Tshabalala	12,093
1556403	Phofu Bahurutshe	270,000
		2,205,073

All other long outstanding amounts are being monitored closely and ongoing communication is made with debtors to recover what is being owed to JRA. It has yielded positive results as the total Debtors balances reduced from R537 million (June 2021) to R276 million (June 2022), representing 48% reduction of debtors due to improved collection of long-outstanding monies from the CoJ.

Section 7: Pending Litigations and Possible Liabilities

In summary, the following litigation and public liability claims were received during the 4th Quarter of 2021/2022:

Table 5.10: Pending litigations and possible liabilities

Litigation area	Total number of cases
Contractual disputes	0
Delict (damages)	0
Labour (review applications)	1
Others	0

Section 8: Insurance Claims against/to MOE

Table 5.11: Public Liability Claims

Month	Letter of Demand	Normal Claims	Summons	Total	Total amount claimed
July 2021	46	9	18	73	3, 312,682.29
August 2021	26	31	4	61	1, 855,110.73
September 2021	61	58	3	122	23, 634,000.81
October 2021	24	23	5	52	4,284,360.46
November 2021	21	14	2	37	27,603,662.75
December 2021	10	19	1	30	2,743,390.36
January 2022	16	17	2	35	2, 884, 297.67
February 2022	35	30	4	69	8, 805, 922.05
March 2022	73	43	8	124	5, 033, 073.25
April 2022	47	40	4	91	9,380,973.78
May 2022	71	35	7	113	18,294,363.28
June 2022	51	22	2	75	8,552,167.98

Total Amount for the 2021/22 financial year is R44, 012,387.35.

Section 9: Statement on Amounts Owed by and to Government Departments and Public Entities

Table: 5.9 Amounts Owed by and to Government Departments and Public Entities

Name	Amount R
Department of Road and Transport	22,018,255
Total	22,018,255

NB: A letter of demand has been issued to the Department to settle the debt.

CHAPTER 6: INTERNAL AND EXTERNAL AUDIT FINDINGS

Section 1: Progress on Audit Plan

Results of the overall audits completed within this financial year are presented in the table below.

Table 6.2: Progress with audit plan

Audit Area	Date Completed	Opinion Expressed	Original Rating	Rating (Only applicable to follow up audits)
Revenue Management	Quarter 1	Adequate but Ineffective	Yellow	N/A
Risk Management	Quarter 1	Adequate but Ineffective	Yellow	N/A
Inventory Management	Quarter 1	Inadequate and ineffective	Red	N/A
Interim Financial Statements	Quarter 1	Adequate and effective	Green	N/A
Asphalt Plant Follow up	Quarter 1	Adequate but Ineffective	Yellow	Yellow
Bonus Adhoc review	Quarter 1	Adequate but Ineffective	Yellow	N/A
Probity Reports	Quarter 1	Adequate and effective	Green	N/A
Bids closing process	Quarter 1	Adequate and effective	Green	N/A
RFQ closing process	Quarter 1	Adequate and effective	Green	N/A
Employee Exit pay-outs advance gratuity payment and Exit gratuity payments	Quarter 1	Adequate but Ineffective	Yellow	N/A
Audit of performance information Q4	Quarter 2	Adequate but Ineffective	Yellow	N/A
Audit of performance information Q1	Quarter 2	Adequate and effective	Green	N/A
Road Infrastructure Maintenance follow up	Quarter 2	Adequate but Ineffective	Yellow	Yellow
Traffic signal Management Audit follow	Quarter 2	Adequate but ineffective	Yellow	Yellow
Expanded public works Programme (EPWP) Audit	Quarter 2	Adequate but ineffective	Yellow	N/A
ID Project Management	Quarter 2	Adequate but Ineffective	Yellow	N/A
Marketing and Communication Follow Up	Quarter 2	Adequate but Ineffective	Yellow	Yellow
Bids closing process	Quarter 2	Adequate and effective	Green	N/A

Audit Area	Date Completed	Opinion Expressed	Original Rating	Rating (Only applicable to follow up audits)
RFQ closing process	Quarter 2	Adequate and effective	Green	N/A
Legal services follow up	Quarter 3	Adequate but Ineffective	Yellow	Yellow
Risk Management follow up	Quarter 3	Inadequate and ineffective	Yellow	Yellow
Recruitment Audit	Quarter 3	Adequate but ineffective	Yellow	N/A
IT General Controls	Quarter 3	Inadequate and Ineffective	Red	N/A
Probity Audit	Quarter 3	Adequate but Ineffective	Yellow	N/A
Exit Pay	Quarter 3	Adequate but Ineffective	Yellow	N/A
Leave Management	Quarter 3	Adequate but Ineffective	Yellow	N/A
Bids closing process	Quarter 3	Adequate and effective	Green	N/A
RFQ closing process	Quarter 3	Adequate and effective	Green	N/A
Performance Information Audit Q2	Quarter 4	Adequate but Ineffective	Yellow	N/A
Performance Information Audit Q3	Quarter 4	Adequate and effective	Green	N/A
Payroll Management Follow Up Audit Report (Date of the Report: 07 April 2022)	Quarter 4	Adequate but ineffective	Yellow	Yellow
Cost Management Follow up Audit Report (Date of the Report :05 April 2022)	Quarter 4	Adequate and effective	Yellow	Green
Supply Chain Management (RFQ) Audit Management (RFQ) Audit Report (Date of the Report 15 April 2022).	Quarter 4	Adequate but Ineffective	Yellow	N/A
Bids Management Audit Below R5MIL (26 April 2022)	Quarter 4	Adequate and effective	Green	N/A
Employee Exit Pay-outs, Advance Gratuity Payment & Exit Gratuity Payments Date of report: March 2022)	Quarter 4	Adequate but Ineffective	Yellow	N/A
Supply Chain Management Probity Audits	Quarter 4	Adequate but Ineffective	Yellow	N/A

Audit Area	Date Completed	Opinion Expressed	Original Rating	Rating (Only applicable to follow up audits)
Bids closing process	Quarter 4	Adequate and effective	Green	N/A
RFQ closing process	Quarter 4	Adequate and effective	Green	N/A

Section 2: Progress on the resolution of Internal Audit findings

The JRA resolved a total of 128 IA findings, this is against the total of 141 internal audit findings.

Remedial Actions undertaken by Management to address the non-achievement:

To improve resolution of findings, there is continuous engagement between management and Internal Audit on tracking and reporting, and management is fast tracking the submission of matters requiring Board and Committee approvals. Findings are a standing agenda item at EMT for continuous oversight. Monthly and quarterly reports are submitted to the City and the Audit and Finance Committee, respectively. Management has implemented the following actions:

Table 6.2: Management implemented action

SUMMARY OF AG AUDIT FINDINGS AND ACTION PLANS - 2021/2022				
Audit Finding Details		Root Cause	Intervention/Management Comment	Action Timeline
Matters Affecting Audit Report				
1	Irregular expenditure not prevented as required by MFMA	Previous year(s) appointments identified before as irregular expenditure but contracts could not be cancelled without legal implications; Manual tracking of contract spend resulting in over-expenditure	Investigation of irregular and fruitless expenditure by Internal Audit and City Disciplinary Board. Pursue the SARS dispute through Tax Courts	30-Jun-22
1.1	Competitive bidding	Ineffective processes to identify proactively fraudulent activities	Investigation of fraudulent activity; Tighten bid committees controls; Proactive performance of Probity; SOP review	30-Mar-22
1.2	SCM: Contract secured by other organ of state. The city of Johannesburg procured the services of AoN for the provision of the Insurance broking services through participation on a contract secured by the City of Nelson Mandela Bay under a competitive bidding process.	Management is working closely with Contract management unit to ensure expired contracts are tracked monthly to mitigate expenditure against expired contracts. Management exercised controls per evidence attached. The Covid 19 pandemic has however impacted on our internal controls for the year end process with regard to Vodacom.	The irregular expenditure identified has been referred to Group governance for investigations	Jan 2022

SUMMARY OF AG AUDIT FINDINGS AND ACTION PLANS - 2021/2022

Audit Finding Details		Root Cause	Intervention/Management Comment	Action Timeline
		Inclusion of the 30 Days KPI on BSC for all Managers and any key employees affecting payments process flow The 30 days KPI should be re-enforced through balance score cards and more awareness should be raised with the stakeholders and user departments to ensure compliance		
2	Payments not made within 30 days	Defaulting stakeholders, Users and Service providers	Workshops on payment processes, Enforce consequent management; Ensure KPI is part of Balance Score Cards effective July 2021; Report / Escalate Defaulters to EMT	30-Mar-22
Other Important Matters				
3	Performance bonuses	Timing and basis for payment of performance bonus per the approved performance policy	Management to monitor implementation of the approved performance policy with regards to Performance bonus ; Training on the approved performance management policy	30-Jun-22
4	Suspensions not finalised timeously	Delayed finalisation of suspensions	To continue fast-track closure of cases where organisation has control; Regular (monthly) review of suspensions will take place	30-Dec-21
5	Denominator not well defined: % of Municipal road lanes which has been resurfaced and resealed	The rationale used in defining the denominator	To engage further with AG and agree on the matters raised to guide next audit; A formal VCA assessment to be done per the national guide.	30-03-2022 & by 2022 / 23 (VCA)
6	Indicator not well defined: % of kms of unsurfaced roads graded	Interpretation differences of applicable legislation (TRH 20 Guideline for Roads maintenance and National Treasury circular 88)	Management will continue to monitor alignment of controls with relevant guide and applicable regulation; Apply for additional budget to allow the grading of roads as required (Challenge: Budgetary constraints to effect grading 10 times a month)	30-Mar-22
Administrative Matters				
7	Chief Internal Audit Executive	Management and those charged with oversight did not Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	The JRA has undertaken a structural review process and after a benchmarking exercise was conducted, it was concluded that the position of Ops Manager: Internal Audit should be at the executive level hence the permanent filling of the Ops position was put on hold until the organisational review process is concluded as JRA does not need an Ops Manager in future but need a Chief Audit Executive. The position will be filled permanently at the level of	01/12/2021

SUMMARY OF AG AUDIT FINDINGS AND ACTION PLANS - 2021/2022

Audit Finding Details		Root Cause	Intervention/Management Comment	Action Timeline
			Chief Audit Executive once the OD process has been concluded. The continued renewal of the fixed-term is not in contravention of LRA section 198A and 198B which regulate fixed-term contract employees because the employee appointed is earning above the threshold. It will be appreciated if it can be clarified which provisions of the LRA Section 12 (3) has been contravened	

6.3.2 2020/21 AG repeat findings

The company has managed to resolve 81% of the total AGSA raised in 2021/22 financial year.

Section 4: Overall State of internal Controls

The overall conclusion of the state of internal controls based on the following audits completed from the 1st of July 2021 to 30 June 2022 is that controls are adequate but ineffective to provide reasonable assurance that JRA objectives will be achieved.

Table 6.3: State of internal controls

Audit Area	Date Completed	Opinion Expressed	Original Rating	Rating (Only applicable to follow up audits)
Revenue Management	Quarter 1	Adequate but Ineffective	Yellow	N/A
Risk Management	Quarter 1	Adequate but Ineffective	Yellow	N/A
Inventory Management	Quarter 1	Inadequate and ineffective	Red	N/A
Interim Financial Statements	Quarter 1	Adequate and effective	Green	N/A
Asphalt Plant Follow up	Quarter 1	Adequate but Ineffective	Yellow	Yellow
Bonus Adhoc review	Quarter 1	Adequate but Ineffective	Yellow	N/A
Probity Reports	Quarter 1	Adequate and effective	Green	N/A
Bids closing process	Quarter 1	Adequate and effective	Green	N/A
RFQ closing process	Quarter 1	Adequate and effective	Green	N/A

Audit Area	Date Completed	Opinion Expressed	Original Rating	Rating (Only applicable to follow up audits)
Employee Exit pay-outs advance gratuity payment and Exit gratuity payments	Quarter 1	Adequate but Ineffective	Yellow	N/A
Audit of performance information Q4	Quarter 2	Adequate but Ineffective	Yellow	N/A
Audit of performance information Q1	Quarter 2	Adequate and effective	Green	N/A
Road Infrastructure Maintenance follow up	Quarter 2	Adequate but Ineffective	Yellow	Yellow
Traffic signal Management Audit follow	Quarter 2	Adequate but ineffective	Yellow	Yellow
Expanded public works Programme (EPWP) Audit	Quarter 2	Adequate but ineffective	Yellow	N/A
ID Project Management	Quarter 2	Adequate but Ineffective	Yellow	N/A
Marketing and Communication Follow Up	Quarter 2	Adequate but Ineffective	Yellow	Yellow
Bids closing process	Quarter 2	Adequate and effective	Green	N/A
RFQ closing process	Quarter 2	Adequate and effective	Green	N/A
Legal services follow up	Quarter 3	Adequate but Ineffective	Yellow	Yellow
Risk Management follow up	Quarter 3	Inadequate and ineffective	Yellow	Yellow
Recruitment Audit	Quarter 3	Adequate but ineffective	Yellow	N/A
IT General Controls	Quarter 3	Inadequate and Ineffective	Red	N/A
Probity Audit	Quarter 3	Adequate but Ineffective	Yellow	N/A
Exit Pay	Quarter 3	Adequate but Ineffective	Yellow	N/A
Leave Management	Quarter 3	Adequate but Ineffective	Yellow	N/A
Bids closing process	Quarter 3	Adequate and effective	Green	N/A
RFQ closing process	Quarter 3	Adequate and effective	Green	N/A
Performance Information Audit Q2	Quarter 4	Adequate but Ineffective	Yellow	N/A
Performance Information Audit Q3	Quarter 4	Adequate and effective	Green	N/A

Audit Area	Date Completed	Opinion Expressed	Original Rating	Rating (Only applicable to follow up audits)
Payroll Management Follow Up Audit Report (Date of the Report: 07 April 2022)	Quarter 4	Adequate but ineffective	Yellow	Yellow
Cost Management Follow up Audit Report (Date of the Report :05 April 2022)	Quarter 4	Adequate and effective	Yellow	Green
Supply Chain Management (RFQ) Audit Management (RFQ) Audit Report (Date of the Report 15 April 2022).	Quarter 4	Adequate but Ineffective	Yellow	N/A
Bids Management Audit Below R5MIL (26 April 2022)	Quarter 4	Adequate and effective	Green	N/A
Employee Exit Pay-outs, Advance Gratuity Payment & Exit Gratuity Payments Date of report: March 2022)	Quarter 4	Adequate but Ineffective	Yellow	N/A
Supply Chain Management Probity Audits	Quarter 4	Adequate but Ineffective	Yellow	N/A
Bids closing process	Quarter 4	Adequate and effective	Green	N/A
RFQ closing process	Quarter 4	Adequate and effective	Green	N/A

Section 5: Report of the Audit Committee

Introduction

It is the responsibility of the Audit Committee, duly appointed by the Shareholders in a general meeting, to issue this report for the 2021/2022 financial year. The composition of the Committee and attendance of the Committee members, are addressed in the Governance Report (Chapter 2). The activities of the Committee are guided by the legislated mandate as well as detailed Terms of Reference duly informed by Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), the Municipal Systems Act No 32 of 2000 (Municipal Systems Act), Section 94 of the Companies Act No 71 of 2008 (Companies Act) and King IV and are approved by the Board. The Annual Financial Statements form part of the Annual Integrated report. The Committee is also tasked with the oversight of the risk management process and the governance of Information Technology in terms of the MFMA.

5.1. Roles and Responsibilities

During the year under review the Committee fulfilled all the functions and discharged its responsibilities as prescribed in the MFMA; The Municipal Systems Act, and the Companies Act, King IV and the Terms of Reference.

5.2. External Auditor Appointment

The Committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, 2008. In consultation with the Executive Management, the Committee noted the Auditor-General of South Africa's engagement letter, noted the audit strategy together with the fees, which were approved by the Board.

5.3. Summary of Main Activities

In order to discharge its responsibilities, duties and obligations, the Committee considered the following:

a. In respect of the external audit:

- Reviewed the audit strategy, evaluated the effectiveness of the external auditor and evaluated the external auditor's internal quality control procedures;
- Obtained assurances from the external auditor that adequate accounting records were being maintained, including reports pertaining to the effectiveness of the company's internal control environment, systems and processes;
- Considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005 and interrogated those reported in the annual financial statement and satisfied themselves that there was value for money and appropriate action was and / or will be taken to mitigate the risk of recurrence; and,
- Made recommendations to the Board regarding corrective actions to be taken as a consequence of any audit findings.

b. In respect of the annual financial statements:

- Considered the basis upon which the company was determined to be a going concern;
- Confirmed that the "*going concern*" assumption was correctly used as the basis for the preparation of the annual financial statements;
- Considered the annual financial statements, the information upon which the statements were

prepared and the correctness thereof prior to submission and approval by the Board;

- Ensured that the annual financial statements fairly present the financial position of the company as at the end of the financial year;
- Considered accounting treatments and accounting judgements and conclusions;
- Considered the appropriateness of the accounting policies adopted and any changes thereto;
- Reviewed the external auditor's audit report, including any significant legal and tax matters that could have a material impact on the financial statements;
- Met with management and both the external and internal auditors to ensure all parties had an opportunity to raise any concerns with the Committee; and,
- Considered the adequacy and effectiveness of controls and procedures, including meeting separately with management, external audit and internal audit.

c. In respect of internal control and internal audit:

- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter and the approved audit plan;
- Considered the reports of the internal auditor regarding the systems of internal control including financial controls and maintenance of effective internal control systems;
- Received assurance that proper and adequate accounting records were maintained, including the safeguarding of assets and the prevention of corruption and fraud;
- Reviewed significant issues raised by the internal audit processes and the adequacy, and implementation, of corrective action in response to significant internal audit findings; and,
- Assessed the adequacy of the performance of the internal audit function, and specifically assessed the performance of the head of the Internal Audit Function and the adequacy of the available internal audit resources and made recommendations to correct shortcomings.

Based on the above, the Committee formed the opinion that, while the controls were adequate some were not wholly effective in achieving their purpose and ensuring that the Company's objectives were achieved. The Committee was however of the opinion that this did not lead to any material breakdowns in internal control, including financial controls and business risk management.

d. In respect of risk management and information technology:

- Reviewed the company's policies on risk assessment and risk management, including fraud risks and information technology risks as they pertain to financial reporting and the going concern assessment, and found them to be sound;
- Reviewed IT risk and IT governance; and,
- Considered and evaluated significant IT investments and the delivery and management of IT services.

e. In respect of sustainability issues contained in the Sustainable Development report:

- Oversaw the process of sustainability reporting; and,
- Received the necessary assurances from management that material disclosures are reliable and do not conflict with the financial information.

- f. In respect of performance information:
- Oversaw the performance information throughout the year through the quarterly internal audit reports received; and,
 - Considered the Annual Performance Report for the year under review and recommended it for approval to the Board of Directors.
- g. In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements:
- Reviewed with management, legal matters that could have a material impact on the group;
 - Reviewed with the company's internal legal advisor the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities;
 - Monitored complaints received via the group's Whistle-blowers' reporting hotline;
 - Confirmed with management that they had reported on any items of unauthorised, irregular and fruitless and wasteful expenditure in terms Section 102 of the MFMA; and,
 - Considered reports provided by management, the internal auditor and the external auditors.
- h. In respect of the coordination of assurance activities;
- Reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant risks facing the business; and,
 - Considered the expertise, resources and experience of the finance function, including that of the Chief Financial Officer (CFO), the head of the Supply Chain Management (SCM) function and senior members of management, and concluded that these were appropriate.

5.4. Fraud and Whistle Blowing

The Committee has received quarterly reports pertaining to instances of fraud and / or corruption. The said reports were reviewed by the Ethics Officer, including reports received through the independent whistle-blower hotline. The Committee has exercised oversight in respect of financial reporting risks, internal financial controls, fraud risks and IT risks as they relate to financial reporting.

5.5. Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

The Company appointed the Chief Financial Officer (CFO) in June 2019. The Committee is of the opinion that the CFO has been with the Company for a reasonable time, possess adequate qualification and experience in similar finance related portfolio's and she is deemed to have exercised reasonable care in executing role as CFO.

5.6. Attendance

The members as well as their [attendance](#) at meetings held during the 2021/22 set out in Annexure A of the report.

5.7. Conclusion

Based on our review of the integrated report of JRA, comprising the annual performance review and annual financial statements, we are of the opinion that, in all material respects, the report complies with the provisions of the Municipal Finance Management Act, No. 56 of 2003; The Municipal Systems Act, No. 32 of 2000, the Companies Act, No 71 of 2008, the King IV Report and Generally Recognised Accounting Practice as issued by the Accounting Standards Board and prescribed by National Treasury. The Committee concurred with the Auditor- General's Audit Opinion for the financial year ended 30 June 2022.

Having had regard to all material factors and risks that may impact on the integrity of the integrated report, and having satisfied ourselves that the information is reliable, we recommended the Audit Committee report of the JRA for the year ended 30 June 2022 for approval to the Board of Directors.



B. Mokgatle

Chairperson: AFRIT

Section 5: Report of the Auditor General

Report of the auditor-general to the Gauteng Provincial Legislature and the council of the City of Johannesburg Metropolitan Municipality on the Johannesburg Roads Agency (SOC) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Johannesburg Roads Agency (SOC) Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Roads Agency (SOC) Ltd as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act, 2008 (Act No. 71 of 2008) (the companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. I have determined that there are no key audit matters to communicate in this auditor's report.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Uncertainty relating to the future outcomes of exceptional litigations

8. With reference to note 31 to the financial statements, the municipal entity is the defendant in various lawsuits. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

9. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2021.

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the municipal entity's annual performance report for the year ended 30 June 2022:

Programme	Pages in annual performance report
Programme 3 – entity scorecard	x – x

19. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
20. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

Programme 3 – entity scorecard

21. I was unable to obtain sufficient appropriate audit evidence for the achievement of 106 small, medium and microenterprises (SMMEs) reported against the target of 70 planned SMMEs to support in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

23. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified opinions expressed on the usefulness and reliability of the reported performance information in paragraph 21 of this report. The Johannesburg Roads Agency achieved 62,5% of the planned targets for the year in the selected programme (programme 3 – entity scorecard).

Report on the audit of compliance with legislation

Introduction and scope

24. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

25. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

26. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of intangible assets, disclosure items and the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

27. The annual performance objectives and indicators were not established by agreement with the parent municipality, as required by section 93B(a) of the Municipal Systems Act 32 of 2000.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
33. The accounting officer did not adequately exercise oversight responsibility regarding financial reporting, performance reporting and compliance with legislation. The municipal entity did not have adequate monitoring and review controls to ensure that financial and performance reports were accurate and complete.
34. Senior management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information and did not monitor compliance with applicable legislation.

Other reports

35. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
36. The municipal entity had sixteen (16) ongoing investigations at the time of this report relating to allegations of possible fraud, supply chain management and human resources-related matters. These investigations were in progress as the date of this report and they cover various financial years including the year under review. The outcome of these investigations was expected after 30 June 2022.

Auditor - General

Johannesburg

30 November 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the municipal entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Johannesburg Roads Agency (SOC) Ltd to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipal entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

APPENDICES AND DISCLOSURES

Appendix	Purpose	Status
A	Board of Directors; Committee Allocation and Attendance	See Page 79
B	Committee and Committee Purpose	See Page 16
C	Third Tier Administrative structure	See Page 17
D	Functions of Entity	See Page 11
G	Recommendations of the Audit Committee	See Page 85
I	Municipal Entity/Service Provider Performance Schedule	See pages 37-41

Appendix A: JRA Board of Directors; Committee Allocation and Attendance

Q1 (2021-2022 Financial Year)								
	BOARD			REMSEC	AFR&ITC		SDC	
Board member/ IAC	20 July Special	30 July Ordinary	30 August Special	16 July Ordinary	14 July Ordinary	26 August Special	12 July Ordinary	23 July Special
Albert Mokoena	✓	✓	X	N/A	N/A	N/A	N/A	N/A
Lindi Mdluli	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Hazel Mtimkhulu	✓	✓	✓	N/A	N/A	N/A	✓	✓
Fulufhelo Ntsandeni	✓	✓	✓	N/A	✓	✓	✓	✓
Lawrence Ndlovu	✓	✓	✓	✓	N/A	N/A	✓	✓
Ntsikelelo Mila	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Yolisa Ngxabazi	✓	✓	✓	N/A	✓	✓	N/A	N/A
Edwin Mtshali	✓	✓	✓	N/A	N/A	N/A	✓	✓
Salome Chiloane-Nwabueze	✓	✓	X	N/A	N/A	N/A	✓	✓
Tom Tshitangano	✓	✓	X	✓	N/A	N/A	N/A	N/A
	INDEPENDENT AUDIT COMMITTEE (IAC) MEMBERS							
Odirile Mekwa	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A
Karen Parirenyatwa	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A
Sizo Mzizi	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A
Q2 (2021-2022 Financial Year)								
Board member/ IAC	Board 12 Nov Ordinary	Board 30 Nov Special	REMSEC 13 Oct Ordinary	AFR&ITC 11 Oct Ordinary	AFR&ITC 26 Nov Special	SDC 12 Oct Ordinary		
Albert Mokoena	N/A	N/A	N/A	N/A	N/A	N/A		
Lindi Mdluli	✓	N/A	✓	N/A	N/A	N/A		
Hazel Mtimkhulu	✓	✓	N/A	N/A	N/A	N/A		
Fulufhelo Ntsandeni	✓	✓	N/A	✓	✓	✓		
Lawrence Ndlovu	✓	✓	✓	N/A	N/A	✓		
Ntsikelelo Mila	✓	✓	✓	N/A	N/A	N/A		
Yolisa Ngxabazi	✓	✓	N/A	✓	✓	N/A		
Edwin Mtshali	✓	✓	N/A	N/A	N/A	✓		

	INDEPENDENT AUDIT COMMITTEE (IACs)						
Odirile Mekwa	N/A	N/A	N/A	✓	✓	N/A	
Karen Parirenyatwa	N/A	N/A	N/A	✓	✓	N/A	
Sizo Mzizi	N/A	N/A	N/A	✓	✓	N/A	
Q3 (2021-2022 Financial Year)							
Board member/ IAC	Board 03 Feb 2022 Ordinary	REMSEC 18 Jan 2022 Ordinary	AFR&ITC 18 Jan 2022 Ordinary	SDC 14 Jan Ordinary		Board 04 March Special	Board 24 March Special
Albert Mokoena	N/A	N/A	N/A	N/A		N/A	N/A
Hazel Mtimkhulu	✓	N/A	N/A	N/A		✓	✓
Fulufhelo Ntsandeni	✓	N/A	✓	✓		N/A	N/A
Lawrence Ndlovu	✓	✓	N/A	✓		N/A	N/A
Ntsikelelo Mila	✓	✓	N/A	N/A		N/A	N/A
Yolisa Ngxabazi	✓	N/A	✓	N/A		N/A	N/A
Edwin Mtshali	✓	N/A	N/A	✓		N/A	N/A
Tiyani Sambo	N/A	N/A	N/A	N/A		✓	✓
Thabo Motloun	N/A	N/A	N/A	N/A		✓	✓
Msizi Myeza	N/A	N/A	N/A	N/A		✓	✓
Silver Bapela	N/A	N/A	N/A	N/A		✓	✓
Innocent Mthembu	N/A	N/A	N/A	N/A		✓	✓
Nompumelelo Mkhize	N/A	N/A	N/A	N/A		✓	✓
Boitumelo Mokgatle	N/A	N/A	N/A	N/A		✓	✓
Tshepo Phetla	N/A	N/A	N/A	N/A		✓	✓
IACs							
Odirile Mekwa	N/A	N/A	✓	N/A		N/A	N/A
Karen Parirenyatwa	N/A	N/A	✓	N/A		✓	N/A
Sizo Mzizi	N/A	N/A	✓	N/A		N/A	N/A
Thabo Mongatane	N/A	N/A	N/A	N/A		✓	N/A
Sello Makhubela	N/A	N/A	N/A	N/A		X	N/A
Q4 (2021-2022 Financial Year)							
Board member/ IAC	Board 28 APRIL	REMSEC 13 APRIL 2022	AFR&ITC 12 APRIL 2022	SDC 11 APRIL 2022			
Tiyani Sambo	✓	N/A	N/A	N/A			
Thabo Motloun	✓	N/A	✓	✓			
Msizi Myeza	✓	X	N/A	✓			
Hazel Mtimkulu	✓	✓	N/A	✓			
Silver Bapela	X	N/A	N/A	✓			
Innocent Mthembu	✓	✓	N/A	N/A			
Nompumelelo Mkhize	✓	N/A	N/A	✓			
Boitumelo Mokgatle	✓	✓	✓	N/A			

Tshepo Phetla	✓	✓	N/A	N/A
IACs				
Karen Parirenyatwa	N/A	N/A	✓	N/A
Thabo Mongatane	N/A	N/A	✓	N/A
Sello Makhubela	N/A	N/A	✓	N/A

✓: denotes present X: denotes absent N/A: denotes not applicable

Appendix B: Capital Programme by Project Current Year

Project Number	Project Description	Cost Code	Revised Budget	Budget Lift Movement	Revised Budget	YTD Expenditure	Budget Variance	YTD Spend %
30012022	Gravel Roads Diepsloot	306	32,000,000.00	-	32,000,000.00	31,772,795.87	227,204.13	99.29%
30062022	Gravel Roads Mayibuye	306	30,000,000.00	-	30,000,000.00	29,807,788.94	192,211.06	99.36%
30072022	Orange farm Gravel roads	301	94,752,000.00	-	94,752,000.00	93,611,585.39	1,140,414.61	98.80%
30092022	Gravel Roads Tshepisoong	306	30,000,000.00	9,000,000.00	21,000,000.00	20,975,861.22	24,138.78	99.89%
30102022	Kaalfontein Gravel Roads	301	12,000,000.00	-	12,000,000.00	3,904,567.22	8,095,432.78	32.54%
30152022	Bridge Rehab. (BMS)	301	50,000,000.00	-	50,000,000.00	49,416,591.21	583,408.79	98.83%
30172022	Bridges - Replacement (Flooding)	301	47,000,000.00	-	47,000,000.00	39,061,074.55	7,938,925.45	83.11%
30242022	Emergency Stormwater Improvement	306	5,000,000.00	-	5,000,000.00	4,864,611.59	135,388.41	97.29%
30332022	Conversion of Open Drains Braamfischerville	306	12,000,000.00	-6,500,000.00	5,500,000.00	3,801,232.05	1,698,767.95	69.11%
30352022	Orange Farm Open drains	301	37,805,000.00	37,293,000.00	512,000.00	-	512,000.00	0.00%
30372022	Depot Upgrading Operational Capex	301	15,000,000.00	-	15,000,000.00	2,972,463.89	12,027,536.11	19.82%
30392022	Operational Capex	301	26,850,000.00	-	26,850,000.00	397,066.71	26,452,933.29	1.48%
30422022	Dam Safety Rehabilitation	301	3,000,000.00	-	3,000,000.00	979,751.89	2,020,248.11	32.66%
30452022	Integrated Roads & Stormwater	301	7,500,000.00	-	7,500,000.00	1,298,051.12	6,201,948.88	17.31%
30462022	Investigate and Design Future	301	12,150,000.00	-	12,150,000.00	9,204,302.81	2,945,697.19	75.76%
30472022	Emergency, Critical & Urgent	301	150,000,000.00	-	150,000,000.00	146,637,838.18	3,362,161.82	97.76%
30512022	Geometric Improvements	301	7,500,000.00	-	7,500,000.00	5,986,083.65	1,513,916.35	79.81%
30532022	Alternative Power Sources (LED)	301	3,000,000.00	-	3,000,000.00	2,987,355.79	12,644.21	99.58%
30562022	Installation New Warranted	301	5,000,000.00	-	5,000,000.00	4,898,730.81	101,269.19	97.97%

Project Number	Project Description	Cost Code	Revised Budget	Budget Lift Movement	Revised Budget	YTD Expenditure	Budget Variance	YTD Spend %
30572022	Intelligent Transport System	301	5,000,000.00	-	5,000,000.00	4,989,908.66	10,091.34	99.80%
30582022	Re-cabling of Signalised Inters	301	22,000,000.00	-	22,000,000.00	22,261,195.49	- 261,195.49	101.19 %
30592022	Remote Monitoring	301	2,000,000.00	-	2,000,000.00	1,998,734.72	1,265.28	99.94%
30602022	SARTSM	301	9,000,000.00	-	9,000,000.00	8,930,765.65	69,234.35	99.23%
30612022	Traffic Management Centre	301	9,000,000.00	-	9,000,000.00	8,983,962.36	16,037.64	99.82%
30622022	Traffic Signal Adaptive Control	301	6,000,000.00	-	6,000,000.00	5,924,741.80	75,258.20	98.75%
30632022	Upgrading Controllers and Phase	301	5,000,000.00	-	5,000,000.00	5,021,527.04	-21,527.04	100.43 %
30642022	GIS Improvement	301	3,150,000.00	-	3,150,000.00	-	3,150,000.00	0.00%
30662022	Rehabilitation of Open Drains	301	15,000,000.00	-	15,000,000.00	13,316,898.62	1,683,101.38	88.78%
30672022	Road Rehabilitation and Recons	301	5,000,000.00	-	5,000,000.00	3,009,994.45	1,990,005.55	60.20%
30682022	Resurfacing of M1 Motorway	301	25,000,000.00	-19,000,000.00	6,000,000.00	5,189,174.55	810,825.45	86.49%
30692022	Resurfacing of M2 Motorway	301	30,000,000.00	-	30,000,000.00	29,605,371.19	394,628.81	98.68%
30702022	Resurfacing of Soweto Highway	301	1,000,005.15	-	1,000,005.15	781,211.54	218,793.61	78.12%
30712022	Resurfacing	301	57,500,000.00	20,779,000.00	78,279,000.00	77,967,046.28	311,953.72	99.60%
30742022	James Street Extension Ennerdale	301	2,000,000.00	-	2,000,000.00	883,556.16	1,116,443.84	44.18%
30752022	Spencer Road New Link	301	2,000,000.00	-	2,000,000.00	1,237,271.46	762,728.54	61.86%
30812022	Richards Drive Upgrade	301	1,500,000.00	-	1,500,000.00	750,760.12	749,239.88	50.05%
30822022	Stormwater Development Sandown	301	6,000,000.00	-3,000,000.00	3,000,000.00	2,266,223.07	733,776.93	75.54%
30842022	Traffic Calming measures	301	3,000,000.00	-	3,000,000.00	-	3,000,000.00	0.00%
30892022	Vorna Valley	301	6,000,000.00	-5,000,000.00	1,000,000.00	647,974.70	352,025.30	64.80%
30942022	Far East Bank	306	8,000,000.00	-	8,000,000.00	7,718,503.46	281,496.54	96.48%
30972022	Tarring of Gravel Roads	301	8,500,000.00	43,514,000.00	102,014,000.00	67,150,505.85	34,863,494.15	65.82%
30972022	Tarring of Gravel Roads	306	8,000,000.00	9,000,000.00	17,000,000.00	15,849,826.57	1,150,173.43	93.23%
	Total		870,207,005.15	-6,500,000.00	863,707,005.15	37,062,906.63	26,644,098.52	85.34%

Appendix G: Recommendations of the Audit Committee

RESOLUTIONS OF THE JRA AUDIT, FINANCE, RISK AND INFORMATION TECHNOLOGY (AFRIT) COMMITTEE MEETINGS FOR 2021-2022 FINANCIAL YEAR

ITEM DESCRIPTION	RESOLUTIONS
Q: 1 (Ordinary Meeting – 14 July 2021)	
Delegations of Authority	The delegations of authority be recommended to the board as: ▪ They align with the Municipal Finance Management Act 56 of 2003; ▪ The Accounting Officer (CEO) is to exercise align to the prescripts of the MFMA and/or any other legal prescripts including board approved policies when executing his functions in terms ▪ The Accounting Officer is to report on a quarterly basis all matters to the Audit Finance Risk and IT Committee for oversight a monitoring in line with the Committees TOR. ▪ The functions of the Audit Finance Risk and IT Committee are to ensure compliance by the JRA with inter alia, the MFMA, accounting policies, all applicable legislation and to ensure effective governance. ▪ The Accounting Officer is instructed to ensure that all releve controls are in place and the Committee will quarterly exercise oversight.
Performance Report inclusive of Financial Statements	▪ The Q4 Company Performance Report be recommended to the Board subject to the incorporation of the comments made.
Prescription of Accreditation by SANAS	▪ The report be deferred until a decision to commercialise Asphalt Plant is made. That invitation to the Board workshop to discuss the commercialisation of the plant be extended to the AFR&ITC members.
Annual Internal Audit Plan 2021/ 22	▪ The Internal Audit Plan be approved subject to incorporation of the below comments made and the revised Plan be shared with the Committee on Friday, 16 July 2021. ▪ That the Plan should consider inclusion of the procurement of PPE audit. ▪ That breakdown on the request for budget increment on external services be provided.
Internal Audit Charter Annual Review	▪ The Internal Audit Charter be approved subject to below comments; ▪ That the Charter be aligned to the establishment of Disciplinary Board.
Internal Audit Methodology Review	▪ The Internal Audit Methodology be approved.
Q4 Internal Audit Reports for 2020/ 2021	▪ The Q4 Internal Audit reports be noted subject to the above comments made.
AGSA and IA Findings for JRA as at 30 June 2021	▪ The Audit findings be noted subject to the comments made.
Q4 Report on the Assessment of Internal Controls	▪ The Q4 Report on Assessment of Internal Controls is noted.
Request for the Writing-Off Irrecoverable Debts	▪ The report be reviewed to include a write-up (notes) for each case and also provide a report on comparison on how the previous write-off was done. ▪ The consolidated report be shared for a round-robin approval on Friday, 16 July 2021. ▪ That the report be reviewed to include a write-up (notes) for each case and also provide a report on comparison on how the previous write-off was done.
SARS Update Report	▪ The Committee be provided with formal guidance from the Legal Tax Attorneys on the JRA chances in this regard.
Special Meeting – 26 August 2021	
Annual Performance Report	▪ That the Annual Performance Report be recommended to the Board for approval.
Draft Annual Financial Statements 2020/2021	▪ That subject to the comments made, the consolidated report be recommended to the Board for approval. ▪ The cover report be updated to give more details as per discussions held and the consolidated report be shared with the Committee for information.
Update on SARS Matters	▪ RESOLVED that the report be noted subject to the comments made above.
AGSA Engagement Letter	▪ RESOLVED that the report be approved and be presented to the Board for information.
AGSA Audit Strategy	▪ RESOLVED that the Audit Strategy be approved and be presented to the Board for information.
Q2 – 11 October 2022	
Q1 Company Performance and Financial Report	▪ The Q1 Company Performance Report be recommended to the Board subject to the incorporation of the comments made.

	▪ That the Committee to propose to the Board to consider requesting management to present a formal commitment report to achieve CAPEX spending, inclusive of consequence management plan for under performance. ▪ That the COJ Policy on Cost Containment be shared with the Committee for adoption prior to the sitting of the Board on the 29th October 2021.
Report on the Asphalt Plant Workshop	▪ RESOLVED that the report be noted subject to the above. ▪ That as part of the feasibility study, a business case be presented to the Committee. ▪ That submission be made to COJ OPCA on the funding model of the Asphalt Plant and feedback be shared at the next Committee meeting.
Q1 Internal Audit Reports for 2021/ 2022	▪ RESOLVED that the Q1 Internal Audit reports be noted subject to the above.
AGSA and IA Findings for JRA as at 30 June 2021	▪ RESOLVED that the Status of Audit findings be noted.
Update on Audit Finding – VAT Compliance on Board Fees	▪ RESOLVED that the report be noted.
SARS Update Report	▪ RESOLVED that the Committee noted the report subject to the comments made. ▪ A virtual meeting be arranged between the AFR&ITC delegation, (led by Chairperson and Ms Ngxabazi) and the Legal Attorneys representing JRA on the SARS issues to discuss JRA chances on the SARS judgement.
ICT Governance Policy: Addendum – IT Governance Assessment Frequency	▪ RESOLVED that the ICT Governance Policy Framework addendum be approved.
Q1 Litigations Report	▪ RESOLVED that the report be noted subject to the above.
Q1 Public Liability Claims Report	▪ RESOLVED that the Public Liability be noted subject to comments made. ▪ That GRAS representative to present the COJ Strategy on insurance at the next meeting which will cover all insurance issues affecting JRA including that of the Asphalt Plant. ▪ That a report on director's liability be prepared and shared with committee members. The report will give clarity on whether Board members can be held liable for claims against the JRA.
Q1 Risk Management Report	▪ RESOLVED that the Risk Management Report be noted subject to the above.
Q1 IT Report	▪ RESOLVED that the report be noted.
Risk Maturity Report	▪ RESOLVED that the report be noted.
Risk Appetite and Tolerance Limit	▪ RESOLVED that the report be noted.
AFR&ITC Terms of Reference	▪ RESOLVED that the TORS be recommended to the Board for approved.
Special Meeting – 26 November 2021	
AGSA: Draft Management Report	▪ That, the report be recommended to the Board for approval subject to the following sub-resolutions; ▪ That the Committee members forward their inputs on the report through the office of the Company Secretary by the 27th November 2021 ▪ That management inputs be submitted to the AGSA by end of business, 26th November 2021 and the consolidated report be presented to the Board for approval. ▪ That management prepare a consolidated feedback report on the 2020/2021 audit for presentation to the Board. ▪ That the Board pack be distributed on Monday, 29th November 2021 before 12h00.
Audited Annual Financial Statements	▪ That subject to the incorporation of comments made, the Committee recommend the audited AFS to the Board for approval.
Annual Performance Report	▪ That the Committee members forward their inputs on the report through the office of the Company Secretary by the 27th November 2021 ▪ That subject to the comments which will be forwarded by the Committee members, and the incorporation thereof, the report is recommended to the Board for approval.
Q3 – 18 January 2022	
Q2 Company Performance and Financial Report	▪ The Q2 Company Performance Report be recommended to the Board for approval subject to the comments made above.
Report on Asphalt Plant	▪ The report be referred back and a revised report inclusive of the risks and action plan on the Asphalt Plant be prepared and circulated to the Committee by the 26th January 2022. ▪ The old business plan developed for the Asphalt Plant be shared with the Committee.
Q2 Internal Audit Reports	▪ RESOLVED that the Q2 Internal Audit reports be noted subject to the above.

Summary of AG and Internal Audit Findings	RESOLVED that the Status of Audit findings be noted subject to the above.
Q2 Report on the Assessment of Internal Controls	RESOLVED that the Q2 Report on Assessment of Internal Controls be noted.
JRA Amendment of Tariff Charges 2022/ 2023	RESOLVED that the amendment of tariff charges for JRA for various services provided by the JRA, with effect from 1 July 2022 be recommended to the Board for approval.
Adjusted Operating and Capital Budget for 2021/ 2022	RESOLVED that the report be recommended to the Board for approval.
Midterm Deviation Report – Business Plan 2021/ 2022	RESOLVED that the report be recommended to the Board for approval through a round robin approval as the report need to be submitted to the COJ by the 20th January 2022.
SARS Update Report	RESOLVED that the Committee approves the report subject to the JRA being represented by a tax expert with a good understanding of the municipal environment.
COJ Insurance Strategy	RESOLVED that the presentation be noted subject to the CEO presenting the Committee with a detailed report explaining the non-declaration of assets by the JRA and the implications thereof.
Q2 Public Liability Claims Report	RESOLVED that the report be noted subject to the above.
Q2 Litigations Report	RESOLVED that the Litigations Report be noted subject to the above.
Q2 Risk Management Status Report	RESOLVED that the Risk Management Report be noted.
Q2 IT Report	RESOLVED that the progress report be noted subject to the above.
Q4 – 12 April 2022	
AFR&ITC Terms of Reference (ToR)	- Subject to the above, a soft copy of the ToR be shared with members to incorporate their inputs and forward them to the Company Secretary by not later than 30th April 2022. - That the consolidated ToR be presented at the next Committee meeting for recommendation to the Board.
Q3 Company Performance Report, inclusive of the Financial Report	- The Q3 Company Performance Report be recommended to the Board for approval subject to the comments made above. - That, going forward, the report structure be not limited the COJ structure but further address the concerns of the Committee. - That an internal audit outcome of reported performance be presented at the next Committee's meeting on quarterly basis.
Q3 Internal Audit Reports for 2021/ 2022	RESOLVED that the Q3 Internal Audit reports be noted subject to the above.
Summary of AG and Internal Audit Findings	RESOLVED that the Status of Audit findings be noted subject to the above.
Q3 Report on the Assessment of Internal Controls	RESOLVED that the Q3 Report on Assessment of Internal Controls be noted.
For Approval – JRA Review of Debtors Management Policy	RESOLVED that the JRA Review of Debtors Management Policy is recommended to the Board for approval.
SARS Update	RESOLVED that the report be noted subject to the above.
For Approval – Business Continuity Plan (BCP)	- The BCP be recommended to the Board for approval subject to testing. - That results of the BCP test be presented at the next committee's meeting.
Q3 Reports for Information	RESOLVED that going forward, the report be improved to include the concerns of the Committee. The report is noted.
Q3 Public Liability Claims Report	RESOLVED that the report be noted subject to the above.
Q3 Litigation Report	That going forward, the report be improved to include the concerns of the Committee. The report is noted.
Q3 Risk Management Report	That the report be revised as per comments made and be shared with the Committee for inputs. The consolidated report be presented to the Board for consideration.



Johannesburg Roads Agency (SOC) Ltd
(Registration number 2000/028993/30)
Annual Financial Statements
for the year ended 30 June 2022

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Construction and maintenance of roads, traffic signals and stormwater infrastructure
Directors	T Sambo - Chairperson (Resigned after year-end) T Motloung - Chairperson (Appointed after year-end) T Mahanuke - Chief Executive Officer (Appointed 01 August 2022) M. Thindisa - Chief Financial Officer H Mtimkhulu N Mkhize T Phetla B Mokgatlhe I Mthembu S Bapela M Myeza Dr A Mokoena (Retired 15 February 2022) L Mdluli (Retired 15 February 2022) N Mila (Retired 15 February 2022) F Ntsandeni (Retired 15 February 2022) S Chiloane-Nwabueze (Retired 15 February 2022) E Mtshali (Retired 15 February 2022) T Tshitangano (Retired 15 February 2022) Y Ngxabazi (Retired 15 February 2022) L Ndlovu (Retired 15 February 2022) S Monakedi - Chief Executive officer (Resigned)
Registered office	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
Business address	75 Helen Joseph Street Corner Harrison Street Johannesburg Gauteng 2001
Postal address	Private Bag X70 Braamfontein

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

General Information

	Johannesburg 2017
Controlling entity	The City of Johannesburg Metropolitan Municipality
Bankers	Standard Bank Limited
Auditors	The Auditor-General of South Africa
Secretary	Phumla Thandeka Majola
Company registration number	2000/028993/30

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Abbreviations used:

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Board of Director's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the COJ Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the COJ Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

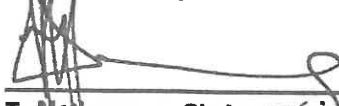
Although the board are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 89, which have been prepared on the going concern basis, were approved by the board on 31 August 2022 and were signed on its behalf by:



T Mahanike - Chief Executive Officer
(Appointed 01 August 2022)



T Motloung - Chairperson Appointed after
year-end)
Board of Directors

Johannesburg

30 November 2022

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Board's Report

The directors submit their report for the year ended 30 June 2022.

1. Incorporation

The entity was incorporated on 17 November 2000 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The entity is engaged in construction and maintenance of roads, traffic signals and stormwater infrastructure and operates principally in South Africa.

The operating results and state of affairs of the Entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of R 353,034,867 and that the entity's total assets exceed its liabilities by R 698,812,159.

The Board is satisfied that the entity is a going concern, the Annual Financial Statements have been prepared on the accrual basis of accounting. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Entity is a state owned Company with the City of Johannesburg Metropolitan Municipality being the sole shareholder. The JRA is wholly dependent on the City for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and the City of Johannesburg Metropolitan Municipality has neither the intention, nor the need to liquidate or materially curtail the scale of, or funding to the entity.

The approved operating budget for the 30 June 2023 financial year is R 1,710,372,000 and the approved capital budget for the 30 June 2023 financial year is R 1,095,214,000.

4. Subsequent events

The directors are aware of certain matters and circumstance arising since the end of the financial year. Refer to the "events after reporting date" note 35 in the financial statements following.

5. Directors' interest in contracts

The directors of Johannesburg Road Agency (SOC) Ltd do not have any interests in contracts.

6. Accounting policies

The policies in the annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Board's Report

8. Board

The directors of the entity that were appointed and re-appointed at the annual general meeting during the year and to the date of this report are as follows:

Name	Nationality	Changes
T Sambo - Chairperson (Resigned after year-end)	South African	Resigned
S Monakedi - Chief Executive Officer	South African	Resigned
T Motloung - Chairperson (Appointed after year-end)	South African	Appointed 15 February 2022
M. Thindisa - Chief Financial Officer	South African	Re-appointed 15 February 2022
H Mtimkhulu	South African	Appointed 15 February 2022
N Mkhize	South African	Appointed 15 February 2022
T Phetla	South African	Appointed 15 February 2022
B Mokgatlhe	South African	Appointed 15 February 2022
I Mthembu	South African	Appointed 15 February 2022
S Bapela	South African	Appointed 15 February 2022
M Myeza	South African	Appointed 15 February 2022
T Mahanuke - Chief Executive Officer	South African	Appointed 01 August 2022
Dr A Mokoena	South African	Retired 15 February 2022
L Mdluli	South African	Retired 15 February 2022
N Mila	South African	Retired 15 February 2022
T Seemela	South African	Retired 15 February 2022
S Chiloane-Nwabueze	South African	Retired 15 February 2022
E Mtshali	South African	Retired 15 February 2022
T Tshitangano	South African	Retired 15 February 2022
Y Ngxabazi	South African	Retired 15 February 2022
F Ntshandeni	South African	Retired 15 February 2022
L Ndlovu	South African	Retired 15 February 2022

9. Secretary

The secretary of the entity is Phumla Thandeka Majola of:

Business address

75 Helen Joseph Street
Corner Harrison Street
Johannesburg
2001

Postal address

Private Bag X70
Braamfontein
Johannesburg
2017

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Board's Report

10. Corporate governance

General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report and King Code on Corporate Governance (King IV) effective from 01 April 2017. The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three-monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors.
- has established a Board directorship continuity programme.

Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Chief Executive Officer, and the Chief Financial Officer, who are the only two executive directors of the entity, are determined by the Parent entity, and the board will determine the remuneration within the above-mentioned limits.

Audit, Finance, Risk and IT - AFRIT Committee

For the 12 months of the current financial year the chairpersons of the audit committee were Mr F Ntsandeni (Up to 15 February 2022) (non-executive director) as well as Mr T Motloung (Appointed 15 February 2022) (non-executive director).

The committee met 5 times during the financial year to review matters necessary to fulfil its role. The independent audit committee members were K. Parirenyatwa, S. Mzizi and O.Mekwa until 15 February 2022. The Board reappointed K. Parirenyatwa, and added new members T. Mongatane and S. Makhubela as independent committee members from 15 February 2022 onwards.

After year-end, B Mokgatle was appointed as chairperson of the committee due to Mr T Mpotloun being appointed as the new Board chairperson.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the municipal entity onto the audit committee.

Internal Audit

The entity has an Internal Audit division. This is in compliance with the Municipal Finance Management Act, 2003.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Board's Report

11. Controlling entity

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality.

12. Bankers

The bankers of Johannesburg Roads Agency are Standard Bank Limited.

13. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

14. MEETINGS

The board has met on 11 separate occasions during the financial year. The board was scheduled to meet at least 4 times per annum. There were also Five (5) Audit, Finance, Risk and IT meetings, Three (3) Remuneration Social, Ethics Committee and Five (5) Service Delivery meetings that were held during the period 01 July 2021 to 30 June 2022.

Non-executive directors have access to all members of management of the entity.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Company secretary's certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Phumla Thandeka Majola
Company Secretary
30 November 2022

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	3	55,777,599	65,711,427
Loans to shareholders	4	277,266,217	457,048,817
Receivables from exchange transactions	5	513,205,973	609,266,585
Cash and cash equivalents	7	471,298,995	436,419,242
		1,317,548,784	1,568,446,071
Non-Current Assets			
Property, plant and equipment	8	130,210,997	162,781,175
Intangible assets	9	95,809	23,352,196
Loans to shareholders	4	51,800,628	54,820,498
		182,107,434	240,953,869
Total Assets		1,499,656,218	1,809,399,940
Liabilities			
Current Liabilities			
Current tax payable	14	22,726,039	77,571,689
Finance lease obligation	11	16,042,201	15,299,564
Operating lease liability		503,746	3,008,221
Payables from exchange transactions	12	454,087,856	699,873,966
Provisions	13	244,967,994	190,675,117
		738,327,836	986,428,557
Non-Current Liabilities			
Finance lease obligation	11	15,541,226	29,989,132
Employee benefit obligation	6	46,975,000	49,248,000
		62,516,226	79,237,132
Total Liabilities		800,844,062	1,065,665,689
Net Assets		698,812,156	743,734,251
Share capital / contributed capital	15	1,000	1,000
Reserves			
Contribution from owner	16	345,776,292	342,793,805
Accumulated surplus		353,034,867	400,939,446
Total Net Assets		698,812,159	743,734,251

* See Note 43

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue	17	1,554,065,603	1,399,311,548
Cost of road maintenance	18	(773,861,620)	(805,050,780)
Indirect expenses - COJ Infrastructure	21	(64,894,192)	-
Gross surplus		715,309,791	594,260,768
Other income	17&19	14,373,914	17,861,238
Operating expenses	20	(672,886,410)	(700,608,892)
Operating surplus (deficit)	22	56,797,295	(88,486,886)
Investment income	17&23	29,029,926	35,119,918
Finance costs	24	(12,530,421)	(36,976,627)
Surplus (deficit) before taxation		73,296,800	(90,343,595)
Taxation	25	(121,201,383)	(84,122,260)
Deficit for the year		(47,904,583)	(174,465,855)

* See Note 43

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

	Share capital / contributed capital	Reserves for own shares / Share repurchase reserve	Accumulated surplus / deficit	Total net assets
Figures in Rand				
Balance at 01 July 2020	1,000	335,258,697	575,405,301	910,664,998
Changes in net assets				
Surplus for the year	-	-	(174,465,855)	(174,465,855)
Assets financed by COJ	-	7,535,108	-	7,535,108
Total changes	-	7,535,108	(174,465,855)	(166,930,747)
Restated* Balance at 01 July 2021	1,000	342,793,805	400,939,450	743,734,255
Changes in net assets				
Surplus for the year	-	-	(47,904,583)	(47,904,583)
Assets financed by COJ	-	2,982,487	-	2,982,487
Total changes	-	2,982,487	(47,904,583)	(44,922,096)
Balance at 30 June 2022	1,000	345,776,292	353,034,867	698,812,159
Note(s)	15	16		

* See Note 43

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Subsidies and other income		1,688,611,952	1,382,005,160
Interest income		25,076,357	31,871,810
		<u>1,713,688,309</u>	<u>1,413,876,970</u>
Payments			
Cash paid to suppliers and employees		(1,653,641,068)	(1,132,658,700)
Taxes paid		(180,168,337)	(35,000,000)
		<u>(1,833,809,405)</u>	<u>(1,167,658,700)</u>
Net cash flows from operating activities	29	<u>(120,121,096)</u>	<u>246,218,270</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(5,916,557)	(7,407,331)
Net movement in amount within entities in the group- Notional Loans and sweeping account		182,802,470	214,184,516
Net cash flows from investing activities		<u>176,885,913</u>	<u>206,777,185</u>
Cash flows from financing activities			
Finance lease payments		(24,867,552)	(24,111,320)
Movement in contribution from owner		2,982,487	7,535,108
Net cash flows from financing activities		<u>(21,885,065)</u>	<u>(16,576,212)</u>
Net (decrease)/ increase in cash and cash equivalents		34,879,752	436,419,243
Cash and cash equivalents at the beginning of the year		436,419,242	-
Cash and cash equivalents at the end of the year	7	<u>471,298,994</u>	<u>436,419,243</u>

* See Note 43

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Jobbings	17,786,000	11,046,000	28,832,000	21,143,129	(7,688,871)	1
Reinstatement income	32,930,000	-	32,930,000	25,572,988	(7,357,012)	2
Management fees	48,453,000	-	48,453,000	30,092,186	(18,360,814)	3
Rental income	4,689,000	-	4,689,000	7,566,600	2,877,600	4
Other Income	16,415,000	(7,000,000)	9,415,000	11,873,101	2,458,101	5
Interest received	10,625,000	10,334,000	20,959,000	29,029,926	8,070,926	6
Total revenue from exchange transactions	130,898,000	14,380,000	145,278,000	125,277,930	(20,000,070)	

Revenue from non-exchange transactions

Developers' contribution	115,242,000	(49,990,000)	65,252,000	79,145,513	13,893,513	7
Subsidy - The City of Johannesburg Metropolitan Municipality	1,324,279,000	68,767,000	1,393,046,000	1,393,046,000	-	
Total revenue from non-exchange transactions	1,439,521,000	18,777,000	1,458,298,000	1,472,191,513	13,893,513	
Total revenue	1,570,419,000	33,157,000	1,603,576,000	1,597,469,443	(6,106,557)	

Expenditure

Employee related costs	(779,073,000)	(58,533,000)	(837,606,000)	(849,216,510)	(11,610,510)	8
Depreciation and amortisation	(61,283,000)	-	(61,283,000)	(44,868,735)	16,414,265	9
Impairment loss/ Reversal of impairments	-	-	-	(23,172,046)	(23,172,046)	
Repairs and maintenance	(24,829,000)	379,000	(24,450,000)	(8,977,434)	15,472,566	10
Internal transfers	(44,019,000)	(1,154,000)	(45,173,000)	(57,341,811)	(12,168,811)	11
Contracted services	(432,719,000)	34,515,000	(398,204,000)	(341,830,300)	56,373,700	12
Other Expenditure	(234,141,000)	(2,719,000)	(236,860,000)	(198,765,807)	38,094,193	13
Total expenditure	(1,576,064,000)	(27,512,000)	(1,603,576,000)	(1,524,172,643)	79,403,357	
Surplus before taxation	(5,645,000)	5,645,000	-	73,296,800	73,296,800	
Taxation	-	-	-	(121,201,383)	(121,201,383)	14
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(5,645,000)	5,645,000	-	(47,904,583)	(47,904,583)	

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Comments are provided on variances in excess (Over or under budget) of 10%. The comparison is between actual amounts as at 30 June 2022 and the 2021/2022 Annual Approved Adjustment Budget.

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

1. Jobbings: Jobbing's Income is related to JRA customers paying JRA funds in advance for services to be rendered at a later stage, and its accounted for as income when the job is finalised by JRA. Recognition of this revenue is reliant on developer's progress which varies from project to project. In addition, refunds have also been approved for monies already received as the Developer will opt install the Infrastructure on their own.

2. Reinstatement Income and Wayleave fees: Reinstatement Income is below the Adjustment Budget for the year. This is as a result of reaction based and fluctuating demand during the year and the nature of the work performed by JRA is driven mainly by billings from Joburg Water (SOC) Ltd

3. Management Fees: These are amounts charged by JRA to COJ's Departments and City Entities for undertaking Capital projects on behalf of these Departments and Entities. The main reasons for the underperformance is that the fee rate has remained stagnant at only 2,5% of the Capital projects actual spend. In addition, the funding source of capital projects on behalf of COJ was allocated to JRA during adjustment budget process. JRA did not earn management fees on these projects as well. JRA also had to pay management fees

4. Rental Income: The rent received is above the budget because of the additional rental and parking space of the Old Mutual Building, 75 Helen Joseph Street, leased to COJ Transportation and Rea Vaya. With the new lease in the 2022/23 financial year, it is understood that Transport Department will have their own lease with Joburg Property Company and not sub lease from JRA.

5. Other income: This includes income from Gautrans maintenance fees, which had no budget for the financial year as the contract with Gauteng Transport Department was not renewed or extended. There was however revenue of R4,9 million earned on that line item. That is the main reason for the overperformance on other income

6. Interest Received: Interest received is for interest earned on the Developers Income Bank account and the interest received on the loans to the Shareholder (inter Company sweeping bank and post retirement Assets). There has been a positive cash balance on both the sweeping and Developer accounts for the financial year.

7. Developers contribution: Developers contributions are funds that are paid by the COJ Planning Department relating to contributions made by the developers to compensate for the increase usage of the infrastructure network. The amount received by JRA is determined by COJ and its budget was adjusted downwards by almost R50 Million. The figure is driven by demand and interest from developers who intend to develop within COJ.

8. Employee Costs: The Employee costs are over the Adjustment Budget and is mainly due to the additional 13th cheque and performance bonus provisions as well as the increased overtime and standby allowances in the year. In addition encashment of leave days was higher than usual due to employees having accumulated days while working from home during the various COVID Level restrictions

9. Depreciation and Amortisation: The depreciation of the assets was less as the useful lives were revised when the asset verification was done.

10. Repairs and Maintenance: The repairs and maintenance of JRA was under budget due to delays in procurement of spares and appointment of service providers to perform maintenance work.

11. Internal Transfers: The internal transfer costs are expenditure relating to COJ and its Entities and they were mainly over-budget due to lease rentals being more than budgeted for.

12. Contracted Services: It is under budget due to contracted services budget not being fully utilized by year end with road maintenance and work being undertaken mostly by internal JRA teams and two companies assisting with road maintenance at no cost to JRA

13. Other Expenditure: Other operating expenditure for the financial year is below the budget mainly due to Consultants, Contractors and Fleet leasing line items. In the context of necessary cost containment as per the National Treasury circular, management has drastically reduced non-essential expenditure including expenditure for consultants, travel and participation in events. Activities affected by COVID-19 such as workshops have been reduced to a minimum subject to COVID-19 protocols.

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

14. Taxation: A previous S24C allowance is no longer being allowed to JRA by SARS. The JRA has had previous years assessment revised and some are currently under dispute by JRA through the Alternate Dispute Resolution (ADR) process. This has resulted in taxation charged by SARS for the periods under the ADR process. Please see Taxation note 13 for more detail)

The accounting policies on pages 18 to 43 and the notes on pages 44 to 88 form an integral part of the annual financial statements.

Johannesburg Roads Agency (SOC) Ltd

(Registration number 2000/028993/30)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the accounting policies set out in the Standards of Generally Recognised Accounting Practice ("GRAP"), including any interpretations of such standards issued by the Accounting Standards Board ("ASB"). GRAP being the Financial Reporting Framework prescribed by National Treasury in line with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipal entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The entity follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the entity would suffer an additional deficit in its 2022 annual financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

Allowance for slow moving, damaged and obsolete inventory

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [i.e. production estimates, supply demand], together with economic factors.

Provisions

Provisions are raised and management determine an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Johannesburg Roads Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The entity used the City of Johannesburg Metropolitan Municipality borrowing rates as a basis for discounting financial instruments and future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the entity.

Commitments

The commitments are in accordance with GRAP which is applicable on the accrual basis of accounting.

Events after reporting date

Financial effects of subsequent events and commitments that may have a material effect on the financial position or financial performance of the entity.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50
Asphalt Plant	Straight line	5
Plant and machinery	Straight line	5
Furniture and fixtures	Straight line	6
Motor vehicles	Straight line	5
Office equipment	Straight line	5
IT equipment	Straight line	3
Tools and loose gear	Straight line	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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1.5 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Loans to shareholder - intercompany sweeping account	Financial asset measured at amortised cost
Loans to shareholders - Notional Accounts	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Shareholders loan	Measured at fair value
Share Capital	Measured at cost

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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1.7 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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1.7 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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Accounting Policies

1.8 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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1.25 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Board/ City of Johannesburg Council/ National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Additional text

1.26 SCM Deviations

Deviation from, and ratification of minor breaches of, procurement processes

SCM Regulation 36 (1) states that "The accounting officer may -

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only-

(i) in an emergency;

(ii) if such goods or services are produced or available from a single provider only;

(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

(iv) acquisition of animals for zoos and/or nature and game reserves ; or

(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature .

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the Board of Directors and include as a note to the annual financial statements.

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this Policy".

1.27 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.28 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

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1.10 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity (net assets).

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1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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1.13 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Post-employment medical aid liabilities

Post-employment medical aid subsidies are provided to pensioners in the service of the Municipality as at 1 January 2001 and employees 50 years and older on 1 July 2003 whilst contributory members to either LA Health or Key Health Medical Schemes. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Housing Subsidies

Eligible employees as at 31 December 1990 have the right to be subsidized after retirement in terms of the HOUSING ASSISTANCE SCHEME, described in Appendix H of the Johannesburg Conditions of Service. A subsidy payable to an employee shall, subject to the provisions of clause 4.5, and subject to him having joined the Pension Fund before 1 July 1987, continue to be paid if he retires from the Service on or after reaching the age of 60 years or is retired on the grounds of ill-health or abolition of his/her post or reorganization and he receives a monthly pension from the Pension Fund.

Retirement Gratuities

A number of employees are entitled to receive a gratuity benefit on retirement or exit before retirement from employment in respect of any periods of employment with the Municipality during which they were not members of a retirement fund. Gratuity benefits accrue according to employees' conditions of service. According to these conditions of service, gratuity benefits are payable on retirement, or on exit before retirement provided the member has either 10 years of service and is 55 years of age, or has 25 years of service and has reached 45 years of age.

1.14 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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1.14 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and .

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

A commitment is an obligation arising from an existing contract, agreement or legislative enactment or regulation that will become an actual liability upon the fulfillment of specified conditions.

Commitments arise when a decision is made to incur a liability in the form of a contract or similar documentation (purchase orders for rates based contracts). Expenditure on assets which has been authorised, but not yet spent at the end of a financial period is disclosed under commitments in the notes to the financial statements.

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest received and other income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Recoveries are recognised as revenue in the period the actual recovery occurs and when assessed and deemed necessary by management in the period of assessment.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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1.17 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Developer's Contribution

Developer's contribution relates to payments made by developers for engineering fees. The proceeds are recorded in the statement of financial performance in the year in which they are received.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.18 Cost of road maintenance

When inventories are used or sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of road maintenance.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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1.21 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.22 Value Added Tax (VAT)

The JRA (SOC) Ltd is a registered VAT Vendor in terms of the VAT Act.

1.23 Comparative figures

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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1.28 Budget information (continued)

The approved budget covers the fiscal period from 01/07/2021 to 30/06/2022.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

A related party is a person or an Entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an Entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an Entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting Entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an Entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the Entity, including those charged with the governance of the Entity in accordance with legislation, in instances where they are required to perform such functions.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Accounting Policies

1.31 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.32 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted by a Standard of GRAP.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.33 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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Accounting Policies

1.33 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.34 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	No date as yet	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2025	Unlikely there will be a material impact

3. Inventories

Inventories	59,462,120	63,995,352
Consumable stores	2,796,071	5,024,788
	62,258,191	69,020,140
Inventories (write - downs)	(6,480,592)	(3,308,713)
	55,777,599	65,711,427

3.1 Detailed Inventory types

Traffic signal equipment (eg cables, controllers, LEDs)	24,854,170	32,681,485
Raw materials (eg sand and stone)	7,073,107	6,993,297
Road maintenance (eg kerbs, concrete products, polymer concrete)	25,351,834	22,467,949
Other material	2,183,009	1,852,623
	59,462,120	63,995,354

Inventories recognised as an expense during the year	91,126,825	68,703,032
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The Johannesburg Road Agency (SOC) Ltd inventory includes stock for repairs and maintenance, work done for third parties and work for capital projects performed on behalf of the City Of Johannesburg Metropolitan Municipality.

The Johannesburg Road Agency (SOC) Ltd does not have any assets held as security, surety or pledge.

4. Loans to (from) shareholders

Notional loans (The notional loans relate to the employees obligations)	51,800,628	54,820,498
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City of Johannesburg Metropolitan Municipality - Sweeping Account This account is swept on a daily basis. The interest rate varies on a daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker) This account is swept on a daily basis. The interest rate varies on a daily based on a call rate quoted by the City Of Johannesburg Metropolitan Municipality banker	277,266,217	457,048,817
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	329,066,845	511,869,315
Non-current assets	51,800,628	54,820,498
Current assets	277,266,217	457,048,817
	329,066,845	511,869,315

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Figures in Rand	2022	2021
4. Loans to (from) shareholders (continued)		
Notional loans		
Loans at beginning of the year	54,820,498	56,770,774
Receipts	2,110,589	1,992,655
Repayments	(5,130,459)	(3,942,931)
	51,800,628	54,820,498
Sweeping account		
Loans at beginning of the year	457,048,817	669,283,056
Receipts	2,875,069,952	2,538,722,754
Repayments	(3,054,852,552)	(2,750,956,993)
	277,266,217	457,048,817
5. Receivables from exchange transactions		
Trade receivables	25,689,636	22,927,085
Prepayments-SANRAL	60,957	60,957
ESKOM deposits	838,220	755,319
Office building deposit	6,846,884	6,777,046
Interest receivables	1,842,979	1,255,453
Prepayments and developers income debtor	135,401	135,401
Outstanding Metropolitan Municipality Claims	83,309,658	83,178,422
Allowance for bad debts	(2,205,073)	(26,316,896)
Sundry debtors	1,500,216	476,047
Staff debtors - subsidized education	2,260,167	2,977,278
Related party receivables	392,926,928	517,040,473
	513,205,973	609,266,585
5.1 Analysis of Receivables		
Gross receivables	515,411,046	635,583,481
Allowance for bad debts	(2,205,073)	(26,316,896)
	513,205,973	609,266,585
Analysis of related party debtors		
Gross related party debtors	400,495,928	517,040,473
	400,495,928	517,040,473
	(400,495,928)	(517,040,473)
Total receivables from exchange transactions	513,205,973	609,266,585

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5. Current tax payable (continued)

5.2 City of Johannesburg Metropolitan Municipality Claims - CAPEX Projects

Relating specifically to Statutory Receivables

Capital expenditure	736,819,679	712,316,360
USDG Amounts Claimed	(114,547,392)	(168,605,019)
City of Johannesburg Amounts Claimed	(557,378,095)	(543,711,341)
JRA Funded from Developers Contribution - JRA Expense	(64,894,192)	-
	-	-

The JRA Funded from Developers Contribution represents the costs JRA incurred on behalf of COJ for capital projects called Bridge Rehab and its related to various bridges. The expenditure incurred was recognised as part of operating expenses in the statement of financial performance. (Refer to note 42)

No trade and other receivables were pledged as security at 30 June 2022.

5.3 Capital expenditure

Bridges	92,382,233	55,956,319
Capital expense for JRA financed by the COJ	3,369,531	15,318,773
Gravel roads	258,925,136	156,013,936
Stormwater	188,469,164	122,569,021
Traffic signals	68,263,145	15,003,256
Rehabilitation and reconstruction of roads	123,289,642	347,326,500
Complete streets	2,120,828	128,555
	736,819,679	712,316,360

The capital expenditure relates to work performed on behalf of the COJ and does not include JRA capital expense. The expenditure incurred in the infrastructure assets is not capitalised by JRA. The infrastructure assets are held by the COJ.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R 235,840,853 (2021: R 293,425,853) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	136,495,742	163,694,170
3 months past due	99,345,111	129,731,428
	235,840,853	293,425,598

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(26,316,896)	(25,772,654)
Debts written off/ (Addition to provision)	24,111,823	(544,242)
	(2,205,073)	(26,316,896)

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any debtors that are pledged as collateral.

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6. Employee benefit obligations

Defined benefit plan

The defined benefit plan, to which is managed by the City Of Johannesburg Metropolitan Municipality where the Johannesburg Roads Agency claims from the funds used from the City Of Johannesburg Metropolitan Municipality.

The plan is a post - employment medical benefit plan, housing subsidy plan and gratuity plan.

The actuarial valuation was performed for the year ended 30 June 2022 on the long term employee benefit liability with reference to GRAP 25.

Post retirement benefit plan

6.1 Defined benefit plan

Employee benefit obligation

Post retirement medical aid plan	8,486,000	8,798,000
Post retirement housing subsidy plan	5,814,000	5,814,000
Post retirement gratuity	32,675,000	34,636,000
	46,975,000	49,248,000

Employee benefit (Notional Accounts)

Post - retirement medical aid plan	31,624,938	31,278,847
Post - retirement gratuity plan	20,175,690	23,541,650
	51,800,628	54,820,497

Post retirement medical aid plan

Opening balance	8,798,000	8,488,000
Unrecognised Actuarial (gains) / losses	(83,855)	582,936
Net expense recognised in the statement of financial performance	(228,145)	(272,936)
	8,486,000	8,798,000

(Net expense) /surplus recognised in statement of financial performance

Interest cost	630,000	610,000
Benefits paid	(858,145)	(882,936)
	(228,145)	(272,936)

Notional loan account

Opening balance	31,278,847	31,071,184
Interest received	1,204,236	1,090,599
Benefits paid	(858,145)	(882,936)
	31,624,938	31,278,847

Post retirement housing subsidy plan

Opening balance	5,814,000	6,621,000
Actuarial (gains) / losses	494,727	(1,756,000)
Net expense recognised in the statement of financial performance	(263,727)	949,000
	6,045,000	5,814,000

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6. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	137,000	434,000
Interest cost	430,000	515,000
Benefits paid	(830,272)	-
	(263,272)	949,000
Post retirement gratuity plan		
Opening balance	34,636,000	28,623,000
Actuarial (gains) /losses	(1,800,027)	7,114,651
Net expense recognised in the statement of financial performance	(160,973)	(1,101,651)
	32,675,000	34,636,000
Net expense recognised in the statement of financial performance		
Interest cost	2,576,000	2,103,000
Benefits paid	(2,736,973)	(3,204,651)
	(160,973)	(1,101,651)
Notional loan account		
Opening balance	23,541,650	25,699,589
Interest received	906,354	902,056
Payments against account	(4,272,314)	(3,059,995)
	20,175,690	23,541,650

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6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.30 %	7.61 %
Expected rate of return on assets	6.84 %	4.88 %
Actual return on reimbursement rights	7.84 %	5.88 %
Medical cost trend rates	7.84 %	5.88 %
Expected increase in salaries	4.90 %	6.25 %
Expected pension increases	1.35 %	1.63 %
Expected increase in healthcare costs	1.35 %	1.63 %

The notional accounts earned interest at a rate of 6.53% as specified by the City Of Johannesburg.

Discount rate

We used the nominal and real zero yield curves as at 30 June 2022 supplied by the JSE to determine our discount rate and consumer price inflation. To determine the discount rate to use, we have used the implied duration obtained to match it with a point on the yield curve.

The Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount rate for the relevant duration and the (yield curve based) medical aid inflation for the relevant duration.

Medical aid inflation

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the point on the yield curve which matches the implied duration of the liability. Our assumed rate of medical aid inflation was set as the calculated value of the CPI plus 1%.

The annualised compound rates of increase for the last 10 years shows that the registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution inflation would out-strip general inflation by 1% per annum over the foreseeable future.

Normal Salary Inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields and the real yield curve at the implied duration assumed. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. Furthermore, an assumed salary increase of 4.9% was used, effective 1 July 2022. The next salary increase is expected to take place on 1 July 2023.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows early and ill-health retirements.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Decrements

Withdrawals

A table setting out the assumed rates of withdrawal from service is set out below

Johannesburg Roads Agency (SOC) Ltd

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6. Employee benefit obligations (continued)

Other assumptions

Ages:

	Withdrawal Rates Males	Withdrawal Rates Females
20-24	11.50 %	10.00 %
25-29	7.00 %	9.80 %
30-34	4.80 %	8.60 %
35-39	3.50 %	6.60 %
40-44	2.30 %	4.60 %
45-49	1.20 %	2.60 %
50-54	0.50 %	0.80 %

Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement. Dependents adults were assumed to be covered for their life.

Medical aid membership

We have assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of members retiring will remain on the current plan option at retirement. We have also assumed that members would remain in the same income category and same medical aid option at retirement.

Sensitivity analysis

Recalculated liabilities using the following assumptions:

-A 1% increase/decrease in the medical and salary inflation rate assumptions used.

-A 20% increase/decrease in the assumed level of mortality.

Mortality Rates

Deviations from the assumed level of mortality experience of the current employees and the continuation members will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

Accrued liability	+20% Mortality Rate	Valuation Assumption	+20 Mortality Rate
Post - Retirement Medical Aid	9,197,000	8,486,000	7,904,000
Post - Retirement Housing Subsidies	6,008,000	5,814,000	5,629,000
Retirement Gratuities	32,656,000	32,675,000	32,695,000
	47,861,002	46,975,000	46,227,998
% change	1.89%	-	-1.59%

Medical and Salary Inflation

The cost of the benefits is dependant on the increase in salaries and other contributions to the medical aid scheme before and after retirement. The rate at which this increase will thus have direct effect on nth liability. We have tested the effect of a 1% p.a change in the medical and salary inflation assumptions. The effect is as follows:

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Figures in Rand		2022	2021
6. Employee benefit obligations (continued)			
Accrued Liability			
	-1% in medical/salary inflation.	Valuation assumption	+1% in medical/salary inflation
Post - Retirement medical aid	8,605,000	8,486,000	8,908,000
Post - Retirement Housing Subsidies	5,576,000	5,814,000	6,065,000
Retirement Gratuities	31,342,000	32,675,000	34,077,000
	45,523,000	46,975,000	49,050,000
% change		-3.1%	

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balance - Developer's Contribution	471,298,995	436,419,242
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As at 30 June 2022, the Developers account was not swept by COJ, therefore resulting in the cash balance for this account recognised in JRA as cash and cash equivalents. All other JRA bank accounts are swept daily by COJ Treasury Department.

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Standard Bank - COJ JRA Operating account - 197890	-	-	-	-
Standard Bank - Trust Account -197912	-	-	-	-
Standard Bank - COJ JRA Salaries Account - 197939	-	-	-	-
Standard Bank - COJ JRA Charges Account - 197807	-	-	-	-
Standard Bank - Developers contribution account - 021156	471,298,995	436,419,242	-	-
Total	471,298,995	436,419,242	-	-

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8. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,293,715	-	17,293,715	17,293,715	-	17,293,715
Buildings	74,202,563	(21,331,042)	52,871,521	71,958,427	(19,866,946)	52,091,481
Plant and machinery	158,267,602	(144,296,269)	13,971,333	158,262,602	(129,134,318)	29,128,284
Furniture and fixtures	20,611,988	(18,623,788)	1,988,200	20,301,234	(17,295,587)	3,005,647
Motor vehicles	100,207,729	(68,935,073)	31,272,656	122,016,466	(75,216,422)	46,800,044
Office equipment	10,608,012	(7,462,017)	3,145,995	7,509,374	(7,088,528)	420,846
IT equipment	59,594,102	(53,978,792)	5,615,310	59,774,185	(49,633,910)	10,140,275
Tools and loose gear	951,952	(876,177)	75,775	951,952	(769,711)	182,241
Work in progress	3,976,492	-	3,976,492	3,718,642	-	3,718,642
Total	445,714,155	(315,503,158)	130,210,997	461,786,597	(299,005,422)	162,781,175

Reconciliation of property, plant and equipment - Disclosure notes

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Buildings	52,091,481	2,244,136	-	-	-	52,871,521
Plant and machinery	29,128,284	5,000	-	(188)	(1,464,097)	13,971,333
Furniture and fixtures	3,005,647	310,978	-	-	(1,328,425)	1,988,200
Motor vehicles	46,800,044	6,389,166	-	-	(21,916,554)	31,272,656
Office equipment	420,846	3,098,593	-	-	(373,444)	3,145,995
IT equipment	10,140,275	-	(102,972)	188	(4,422,181)	5,615,310
Tools and loose gear	182,241	-	-	-	(106,466)	75,775
WIP Assets	3,718,642	257,850	-	-	-	3,976,492
Total	162,781,175	12,305,723	(102,972)	-	(44,772,930)	130,210,997

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	17,293,715	-	-	-	-	17,293,715
Buildings	53,443,543	86,101	-	-	(1,438,163)	52,091,481
Plant and machinery	48,768,033	-	-	(3,718,642)	(15,921,107)	29,128,284
Furniture and fixtures	5,391,653	31,600	(732)	-	(2,416,925)	3,005,647
Motor vehicles	67,874,379	-	-	-	(21,074,335)	46,800,044
Office equipment	774,853	2,420	(42)	-	(356,385)	420,846
IT equipment	8,832,784	7,287,210	(146,792)	-	(5,832,927)	10,140,275
Tools and loose gear	289,774	-	-	-	(107,533)	182,241
WIP Assets	-	-	-	3,718,642	-	3,718,642
	202,668,734	7,407,331	(147,566)	-	(47,147,375)	162,781,175

Pledged as security

The Johannesburg Roads Agency does not have any assets pledged as security, surety or pledge:

JRA has conducted the annual reassessment of useful lives and residual value on the PPE assets

Depreciation rates

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The carrying amount for 66 Pixley Ika Seme under Land And Buildings is 15,448,080. Based on the last valuation carried out on 07/08/2019 the Building was valued at Market Value 87,500,000 and at Replacement cost of 350,700,000.

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8. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	31,272,656	46,800,044
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Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Plant and machinery	3,976,492	3,718,642
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Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Plant and Machinery	3,718,642	3,718,642
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The project is underway and will be finalised in the upcoming financial period.

3,718,642	3,718,642
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Reconciliation of Work-in-Progress 2022

	Included within Other PPE	Total
Opening balance	3,718,642	3,718,642
Additions/capital expenditure	257,850	257,850
	3,976,492	3,976,492

Reconciliation of Work-in-Progress 2021

	Included within Other PPE	Total
Opening balance	3,718,642	3,718,642

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	8,977,434	10,499,786
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The JRA repairs and maintenance excludes infrastructure assets which are capitalised at the City of Johannesburg Metropolitan Municipality.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	38,007,555	(37,911,746)	95,809	38,007,555	(14,655,359)	23,352,196

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9. Intangible assets (continued)

Reconciliation of intangible assets - Disclosure notes

	Opening balance	Amortisation	Impairment loss	Total
Computer software	23,363,661	(95,806)	(23,172,046)	95,809

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	23,560,691	(191,298)	23,369,393

Pledged as security

The Johannesburg Roads Agency does not have any intangible assets pledged as security, surety or pledge:

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Computer software, SAP System	-	23,172,046
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Carrying value of Intangible assets that is taking a significantly longer period of time to complete than expected

Computer software, SAP System	-	23,172,046
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The SAP Project has been halted as per the City Of Johannesburg request. The SAP project is now being implemented/handled at the City for all entities and JRA is awaiting its turn. Based on the approach taken by COJ to have a centralised SAP, the JRA SAP expenditure also relates to an older previous version that will not be implemented by COJ. Therefore the expenditure for SAP incurred by JRA is impaired in full. The expenditure incurred will also be disclosed as fruitless and wasteful expenditure that will be subject to investigation as per MFMA.

-	23,172,046
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Other information

JRA has conducted the annual reassessment of useful lives and residual value on the intangible asset.

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10. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset \ (liability)

Deferred tax is made up of the following taxable/(deductable) temporary differences:

Finance lease liabilities	(8,843,360)	(12,680,835)
Provision for legal claims	(57,860,091)	(46,605,451)
Provision for impairment of debtors	(370,452)	(5,526,548)
Provision for leave pay	(12,154,732)	(12,428,813)
Provision for bonuses	(10,730,947)	(6,542,202)
Other provisions	-	(241,379)
Retirement benefit liability	(13,153,000)	(14,427,840)
Retirement benefit assets	14,504,176	15,349,739
Provision for 13th Cheque	(4,618,081)	(4,592,191)
Income received in advance	(4,080,016)	(5,292,134)
Fixed Assets-owned and leased	24,206,464	13,104,012
Tax rate change	(731,000)	-
Deferred tax asset not recognised	73,831,039	79,883,642
	-	-

Recognition of deferred tax asset

No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts. The deferred tax asset had it been raised it would have been 2022: R73 831 039 (2021: R79 883 642)

Minister of Finance has announced that there is a corporate tax rate change from 28% to 27% for periods ending on or after 31 March 2023

11. Finance lease obligation

Minimum lease payments due

- within one year	17,739,911	17,734,203
- in second to fifth year inclusive	17,199,851	34,801,583
	34,939,762	52,535,786
less: future finance charges	(3,356,335)	(7,247,090)
Present value of minimum lease payments	31,583,427	45,288,696

Present value of minimum lease payments due

- within one year	16,042,201	15,299,564
- in second to fifth year inclusive	15,541,226	29,989,132
	31,583,427	45,288,696

Non-current liabilities	15,541,226	29,989,132
Current liabilities	16,042,201	15,299,564
	31,583,427	45,288,696

It is entity policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 10% (2021: 10%).

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

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12. Payables from exchange transactions		
Trade payables	70,889,773	133,509,502
Payments received in advanced	12,992,726	17,321,718
SANRAL amount received in advance	1,578,760	1,578,760
Accrued staff 13th pay cheque	16,493,148	16,400,683
Retentions	152,957,609	158,092,172
Payroll accruals	9,149,714	5,194,805
Capital creditors and accruals	51,907,826	226,192,459
Debtors reclassification	22,789,639	21,488,665
Accrued leave pay	43,409,757	44,388,618
Value Added Tax	3,047,495	4,172,624
Related party payables	68,871,409	71,533,960
	454,087,856	699,873,966
Analysis of Related Party Creditors		
Gross Related Party Creditors	-	(73,051,763)
Capital creditors	-	73,051,763
	-	-

13. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	166,448,041	44,010,715	(3,815,573)	206,643,183
Performance bonus	23,365,008	41,981,149	(27,021,346)	38,324,811
Other Provisions	862,068	-	(862,068)	-
	190,675,117	85,991,864	(31,698,987)	244,967,994

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	40,743,356	137,939,809	(12,235,124)	166,448,041
Performance bonus	22,589,941	21,714,577	(20,939,510)	23,365,008
Other Provisions	862,068	-	-	862,068
	64,195,365	159,654,386	(33,174,634)	190,675,117

The legal proceedings provision relates to the litigation in progress that is likely to be paid by Johannesburg Roads Agency (SOC) Ltd based on the previous legal actions taken against the Entity. The legal claims emanates from supply chain related matters which occurred in the past and employment related matters from former employees against Johannesburg Roads Agency (SOC) Ltd. The legal claims for on-going cases have been reassessed in the current year based on the new developments in the cases.

Other Provisions relates to possible contractor claim for work done and not yet billed due to disputes.

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14. Current tax payable

JRA has initiated proceedings for an alternate dispute resolution relating to the Tax and interest and penalties declared payable relating to the 2017 and 2017 financial years where a S24 (C) allowance is being disallowed. the matter is currently under Alternative Dispute Resolution (ADR) proceedings. SARS has since issued a notification of audit on the 2018 and 2019 financial years under the same basis that is being argued by JRA in the ADR proceedings in progress currently underway

The Tax Administration Act explicitly states that Finalised Assessments are payable even while in dispute, thereby meeting the definition and recognition criteria to recognise the SARS Tax, penalties and interest as a liability. It is important to note that this matter was disclosed as a contingent liability in the 30 June 2020 Audited Annual Financial Statements.

As at 30 June 2022, the current tax is as per table below

Current Tax Payable	2022	2021
Opening Balance	77,571,689	-
Tax levied on reassessment of prior year tax periods	96,076,800	73,719,779
Interest and penalties charged	4,121,304	28,449,429
Current tax expense for current year	25,124,583	10,402,481
Tax paid during the year	(180,168,337)	(35,000,000)
	22,726,039	77,571,689

15. Share capital / contributed capital

Authorised		
1000 Ordinary shares	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at 01 July 2021	1,000	1,000
Issued		
Ordinary shares at R1 each	1,000	1,000

16. Contribution from owner

This is an investment from the City Of Johannesburg Metropolitan Municipality. The funding from the City Of Johannesburg Metropolitan Municipality is utilised to purchase assets and fund other operating costs based on the budget allocation.

Opening balance	342,793,805	335,258,697
Contributions made during the year	2,982,487	7,535,108
	345,776,292	342,793,805

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17. Revenue		
Gautrans maintenance fees	4,982,262	7,040,263
Asphalt sales & DCP Testing	83,525	3,593
Jobbings	21,143,129	12,763,356
Reinstatement income and wayleave fees	25,572,988	35,424,781
Tender Deposits	-	4,565
Management fees	30,092,186	24,333,544
Rental income	7,566,600	6,941,880
Recoveries - Telephone	435	261
Training income	-	170,924
Bad debts recovered	461,128	-
Other income - Proceeds from road closures	6,161,690	4,477,931
Insurance claims income	184,061	6,270,242
Interest received	29,029,926	35,119,918
Developers Income	79,145,513	26,367,446
Subsidy - The City Of Johannesburg Metropolitan Municipality	1,393,046,000	1,293,374,000
	1,597,469,443	1,452,292,704

See the table below for the breakdown of the revenue categories. the totals above include Investment income (Note 23) as well as other revenue from note 19

See below the breakdown of total revenue:

Total Revenue breakdown

Revenue from exchange transactions	125,277,930	132,551,258
Revenue from non-exchange transactions	1,472,191,513	1,319,741,446
	1,597,469,443	1,452,292,704

The amount included in revenue arising from exchanges of goods or services are as follows:

Gautrans Maintenance fees	4,982,262	7,040,263
Asphalt sales & DCP Testing	83,525	3,593
Jobbings	21,143,129	12,763,356
Reinstatement income and wayleave fees	25,572,988	35,424,781
Tender deposits	-	4,565
Management fees	30,092,186	24,333,544
Rental income	7,566,600	6,941,880
Recoveries - Telephone	435	261
Training income	-	170,924
Bad debts recovered	461,128	-
Other income - Proceeds from road closures	6,161,690	4,477,931
Insurance claims	184,061	6,270,242
Interest received - investment	29,029,926	35,119,918
	125,277,930	132,551,258

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Developers contribution	79,145,513	26,367,446
Subsidy - City Of Johannesburg Metropolitan Municipality	1,393,046,000	1,293,374,000
	1,472,191,513	1,319,741,446

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18. Cost of road maintenance

Direct labour costs of road maintenance	486,486,779	474,144,148
Raw materials	91,126,825	68,703,032
Direct expenses	196,248,016	262,203,600
	773,861,620	805,050,780

19. Other revenue

Rental income - COJ Transport Department	7,566,600	6,941,880
Recoveries - Telephone	435	261
Training income	-	170,924
Bad Debts recovered	461,128	-
Other income - Proceeds from road closures	6,161,690	4,477,931
Insurance claims	184,061	6,270,242
	14,373,914	17,861,238

20. Operating expenses

Total operating expenses comprises of the following line items:

General expenses - Indirect costs	42	208,073,011	257,122,228
Employee related costs	26	362,729,731	355,607,896
Depreciation and amortisation	27	44,868,735	47,338,677
Impairment loss	47	23,172,046	-
Lease rentals on operating lease		32,266,887	38,318,091
Call centre charges		1,776,000	2,222,000
		672,886,410	700,608,892

21. Indirect costs - COJ infrastructure

In the 2022 financial year, JRA incurred expenditure of R64 894 192 to construct roads infrastructure on behalf of the parent Municipality (COJ). The expenditure was part of the JRA Capital budget as approved by COJ Council. Under normal circumstances, the costs incurred to construct roads infrastructure on behalf of COJ is claimed in full by JRA, however these particular projects were not funded by COJ, JRA used their own funds to construct these assets.

This means that JRA incurred its own expenditure to construct assets to be recognised by COJ. Therefore, there is a loss incurred by JRA since COJ will not refund JRA for that CAPEX claim as the financing was from JRA's own funds (Developer's Contribution) whereas it is usually COJ funding that finances the capital projects that JRA constructs on behalf of COJ.

The details of the Infrastructure projects are as follows:

Class of assets	Expenditure amount (R)
Bridges (Rehabilitation)	49,416,591
Stormwater infrastructure	15,477,601
Total COJ capex projects funded by JRA's own funds	64,894,192

22. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

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22. Operating surplus (deficit) (continued)

Operating lease charges

Head office Building

• Lease expense - Straight-lined	34,619,096	34,619,096
• Recovered from sublease - Transport Department	(1,649,363)	(1,513,181)
Lease rentals on Printers		
• Contractual amounts	6,323,700	5,637,550

39,293,433 **38,743,465**

Impairment on intangible assets	23,172,046	-
Amortisation on intangible assets	95,805	191,298
Depreciation on property, plant and equipment	44,772,930	47,147,379
Employee costs	362,729,731	355,607,896
Employee costs - Road Maintenance and related infrastructure	486,486,779	474,144,148

23. Investment revenue

Interest revenue

Interest - Loans to shareholders	10,664,365	20,835,770
Bank	18,273,604	13,977,388
Interest received from ESKOM deposits	22,120	42,293
Interest received from building deposit	69,837	264,467
	29,029,926	35,119,918

Interest earned from shareholders is as a result of the positive sweeping account balance in JRA's favour. It is also as a result of interest earned from Notional loan accounts.

Interest earned from the bank is as a result of a positive balance on the Developer's contribution account in JRA's favour

The interest on ESKOM deposits is earned from the JRA's accounts with ESKOM where a deposit is held by ESKOM.

Interest is also earned on the deposit of the JRA Head Office building that is currently leased by the entity.

24. Finance costs

Interest charged - Intercompany(Post employment employee benefit)	3,636,000	3,228,000
Finance leases	4,773,117	5,299,198
SARS Interest on late payment of tax	4,121,304	28,449,429
	12,530,421	36,976,627

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25. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	25,124,583	10,402,481
Local income tax - recognised in current tax for prior periods	96,076,800	73,719,779
	121,201,383	84,122,260
Deferred		
Deferred tax expense	-	-
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus (deficit)	73,296,800	(90,343,595)
Tax at the applicable tax rate of 28% (2021: 28%)	20,523,104	-
Tax effect of adjustments on taxable income		
Re-assessment of prior year returns	96,076,800	73,719,779
Non-deductible interest and penalties	4,601,479	10,402,481
Income tax expense	121,201,383	84,122,260

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26. Employee related costs		
Basic	234,237,629	251,237,877
Bonus	29,459,668	11,253,894
Medical aid - company contributions	8,272,102	8,863,075
UIF	2,123,439	(13,235,160)
WCA	4,998,754	5,379,150
SDL	2,143,899	2,464,216
Other payroll levies	119,080	69,124
Leave pay provision charge	15,391,299	18,815,791
Defined contribution plans	33,091,274	31,519,464
Travel, motor car, subsistence and other allowances	14,134,398	13,284,145
Overtime payments	5,406,585	10,063,682
Long-service awards	24,000	2,453,086
13th Cheques	5,247,087	5,306,687
Acting allowances	2,670,280	2,873,039
Housing benefits and allowances	1,473,505	(496,038)
Subsidised education benefit	2,979,132	3,701,014
Employee related costs: interns stipend	957,600	2,054,850
	362,729,731	355,607,896
Remuneration of key management		
Annual salary	18,564,946	15,883,272
Bonuses (Performance and annual)	1,878,722	1,438,659
Allowances (Travel, acting and cellphone)	1,895,807	1,495,469
Contributions to UIF, SDL, Medical and Pension Funds	2,667,996	1,839,089
	25,007,471	20,656,489
Remuneration of non-executive directors		
Director fees	1,343,052	1,980,000
Reconciliation of employee costs		
Employee costs - Road Maintenance and relatd infrastructure	486,486,779	474,144,148
Employee Costs - Indirect costs	362,729,731	355,607,896
	849,216,510	829,752,044
27. Depreciation and amortisation		
Property, plant and equipment	44,772,930	47,147,379
Intangible assets	95,805	191,298
	44,868,735	47,338,677
28. Auditors' remuneration		
Fees	3,793,321	3,488,037

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29. Cash (used in) generated from operations		
Deficit	(47,904,583)	(174,465,855)
Adjustments for:		
Depreciation and amortisation	44,868,735	47,338,677
Interest received	(3,953,569)	(31,871,810)
Finance costs	12,530,421	5,299,198
Impairment loss	23,172,046	-
Tax expense	120,201,383	-
Taxation expense cash component	(180,168,337)	-
Debt impairment	-	544,242
Movements in operating lease	-	560,774
Movements in post retirement notional assets and liabilities	(2,273,000)	5,516,000
Movements in provisions	54,292,877	126,479,752
Lease rentals on operating lease	32,266,887	-
Other non-cash items	504,428	61,895
Loss on foreign currency transaction	2,992	15,537
Finance costs - Other	-	31,677,429
Changes in working capital:		
Inventories	6,761,949	6,416,440
Receivables from exchange transactions	120,172,435	(61,525,314)
Payables from exchange transactions	(245,750,110)	212,599,616
Current tax liability	(54,845,650)	77,571,689
	(120,121,096)	246,218,270

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30. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• JRA Property, plant and equipment	4,221,721	-
• Construction of property, plant and equipment on behalf of COJ	334,671,193	849,444,472
	338,892,914	849,444,472
Total capital commitments		
Capital expenditure commitments at financial year end	338,892,914	849,444,472
Authorised operational expenditure		
JRA Operating expenditure commitments at the end of the financial year		
• Other operating expenses (multi awards)	74,620,223	51,888,991
Total operational commitments		
JRA Operating expenditure commitments	74,620,223	51,888,991
Total commitments		
JRA capital expenditure commitments	4,221,721	-
COJ related capital expenditure commitments	334,671,193	849,444,472
Authorised JRA operational expenditure commitments	74,620,223	51,888,991
	413,513,137	901,333,463

This committed expenditure relates to the award of various operating contracts. Included in capital commitment expenditure is COJ related capital commitments to construct roads infrastructure that will be recognised in the AFS of COJ and not JRA.

Operating lease-as leasee (printers and copiers)

Minimum lease payments due		
- within one year	6,323,700	6,323,700
- in second to fifth year inclusive	1,053,950	7,377,650
	7,377,650	13,701,350

Operating leases - 75 Helen Joseph Street Building

Minimum lease payments due		
- within one year	6,273,596	37,123,571
- in second to fifth year inclusive	-	6,273,596
	6,273,596	43,397,167

The operating lease relates to the rental of Printers and Copies and for Head office Building. The lease agreement for printers and copiers commenced on 1 September 2020 up to until 31 August 2021. While the lease for the building relates to the 75 Helen Joseph Building which commenced on 1 September 2019 up to until 31 August 2022.

JRA intends to continue to occupy and lease the head office building in the foreseeable future.

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30. Commitments (continued)

The authorised and contracted for expenditure relates to the Property, plant and equipment, capex projects contracts and opex related contracts which have been awarded and the remaining balance of the appointment value after expenditure incurred being the committed amount. The purchase order amounts are committed where the contracted awarded is based on rates on an as when basis. The amounts committed are inclusive of multi-year projects beyond the 2021/2022 financial year end.

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31. Contingencies

2022.

Contingent Liabilities.

Sibusiso Gumbi & others V JRA - The plaintiffs who are JRA employees are suing for alleged defamation of character. They were suspended by the then CFO, Ms. Audrey Raphela who allegedly made the announcement in a general meeting of finance and SCM staff. The estimated contingent is R8 000 000.

Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The estimated contingent liability is zero.

Associated Asphalt vs Equipment - Microzone JV vs JRA - The application for compelling the JRA to refer the contractual disputes on payment of Preliminary and General (P&G) costs to adjudication. The estimated contingent liability is R1 680 000.00.

SARS vs JRA - VAT issue. Query raised given that infrastructure belongs to the City and VAT should be charged from the City. A letter has been drafted by CEO requesting the City Manager to intervene in getting GRAS to share requested info with SARS and in getting the COJ to voluntarily declare VAT relating to claims payouts. The estimated contingent liability is R23 758 872

Ntokozo Mkhwebane v JRA & 2 Others - Ms Mkhwebane has applied to the Labour Court for the review and setting aside of her dismissal by JRA which was upheld by the South African Local Government Bargaining Council. The estimated contingent liability is not quantified.

S v Charles Phiri and JRA - A JRA employee was arrested and charged with assault and theft after following an altercation that took place on site at Third and Fourth Avenue, Hofmeyer where the JRA RO team was resurfacing the road. The complainant had apparently on 2 occasions requested that the JRA colleagues on site remove the traffic cones they had put on the road so that complainant could drive through. An altercation then followed and the complainant opened a case at the Alexandra Police Station claiming that the JRA employee assaulted him and stole his cellphone. The employee is currently out on bail of R2000 and his case was postponed to the 15th of November 2021 for further investigations.

Motlatla va JRA - Motlatla was dismissed by the JRA for misconduct/isurbordination. He referred the matter to the South African Local Government Bargaining Council (SALGBC) for Arbitration and the Arbitrator found in his favour. JRA is now taking the matter to the Labour Appeals Court for Review of the Arbitrator's decision and or to have the matter referred back to another Arbitrator. The estimated contingent liability is zero.

Mabotwane Security Services CC V JRA - Mabotwane Security Services claims for the unpaid services rendered to the JRA. The estimated contingent liability is R2 445 132

Waterfall View vs JRA - Application for an order to compel JRA to maintain and rehabilitate the embankment/stormwater infrastructure on Klein Jukskeirivier. The estimated contingent liability is zero.

Solomon Makhele vs JRA - JRA is appealing against an Award issued by the SALGBC against an employee who was dismissed for misconduct. SALGBC held that JRA should re-instate the employee and also compensate him for loss of income.

Roadmac Surfacing (PTY) LTD vs JRA and others - Application for review and setting aside of tender number JRA/19/001 and to render procedurally unfair and materially and adversely affecting the rights and legitimate expectation of the applicant. Applicant also wants an order in terms of which they are appointed as one of the successful tenderers. The estimated contingent liability is not quantified.

PGN Civils v JRA - PGN filed an urgent application for an interdict preventing the JRA from removing them from implementing its cancellation of their contract pending finalisation of the Arbitration proceedings.

Lufuno Kennedy Makhari vs JRA - Unfair dismissal. The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement. The estimated contingent liability is not quantified.

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31. Contingencies (continued)

MAC P Contruction v JRA - MAC P is approaching the court for an order compelling the JRA to pay retention money (R5 631 314.56) allegedly held for contract no. JRA/19/463.

Graham D Thompson - Mr Thompson is claiming leave payout allegedly outstanding since his retirement in 2012. The estimated contingent liability is not quantified.

Featherbrook Homeonwers Associations/Mogale City and five others vs JRA/COJ - Featherbrooke and other respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City. The estimated contingent liability is not quantified.

Johan Hendrik Vorster v CoJ, JRA and the Mayor of JHB - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingent liability is not quantified.

Babette Jane Kartz and another v CoJ, the City Manager and JRA - The Applicant has filed an Application for compelling the CoJ/JRA/Mayor to comply with their legal duty to attend to the necessary repairs on damaged drain covers at the corner of Methwold and Restanwold Roads in Saxonwold. The estimated contingency is not quantified

Contingent assets

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. JRA has since made multiple payments to SARS during the 2022 financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA.

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31. Contingencies (continued)

Contingent liabilities

Mokomela vs JRA - The Applicant was dismissed for theft. Following their dismissal, the Applicant referred the matter to the CCMA, for conciliation. The CCMA however issued a ruling to the effect that the matter was referred out of time consequently it could not be heard. The Applicant has since referred the CCMA's ruling for review by the Labour Court. The estimated contingent liability is zero.

Tony Diesel Electrical Generators (sub-contractor) vs JRA - Application for an order to remove automatic generator installed at Asphalt Depot. The estimated contingent liability is zero.

Associated Asphalt vs Equipment - Microzone JV vs JRA - The application for compelling the JRA to refer the contractual disputes on payment of Preliminary and General (P&G) costs to adjudication. The estimated contingent liability is R1 680 000.00.

SARS vs JRA - SARS initiated an audit of JRA for the income tax for the years 2016 and 2017 tax years. After engagement SARS has indicated that they want JRA to pay R100 019 047.84. However JRA has lodged an objection to this.

Ntokozo Mkhwebane v JRA & 2 Others - Ms Mkhwebane has applied to the Labour Court for the review and setting aside of her dismissal by JRA which was upheld by the South African Local Government Bargaining Council. The estimated contingent liability is not quantified.

Lebaka Construction - Lebaka declared a dispute following a disagreement on the quantum of penalties that the JRA is entitled to following Lebaka's delayed completion of the works that JRA had contracted them to do. The estimated contingent liability is not quantified.

Mabotwane Security Services CC V JRA - Mabotwane Security Services claims for the unpaid services rendered to the JRA. The estimated contingent liability is R2 445 132.

Gauflora vs JRA - Dispute over the supplying and laying of asphalt where the contract was vague. The estimated contingent liability is not quantified.

JRA vs Sebenzani and The Public Protector - Respondent is opposing JRA's application to have the Public Protector's report declared unlawful and set aside. The estimated contingent liability is not quantified.

Lufuno Kennedy Makhari vs JRA - Unfair dismissal. The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement. The estimated contingent liability is not quantified.

Shonisani Rambau JV vs JRA - Contact JRA/19/001 dispute where Shonisani, the contractor, complains of failure by the Employer/JRA to award them work notwithstanding compliance by the contractor with conditions of the contract. The estimated contingent liability is not quantified.

Graham D Thompson - Mr Thompson is claiming leave payout allegedly outstanding since his retirement in 2012. The estimated contingent liability is not quantified.

Featherbrook Homeowners Associations/Mogale City and five others vs JRA/COJ - Featherbrooke and other respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City. The estimated contingent liability is not quantified.

Contingent assets.

The SARS matter that was disclosed as a contingent liability in the 2020 financial year has since progressed to a point where a finalisation of the audit was issued during the 2021 financial year, where SARS deemed tax, interest and penalties were payable as at 30 June 2021. A payment of R35,000,000 was paid to SARS during the financial year as a show of good faith. Based on Legal advice received by JRA, there is a possibility of success in appealing the matter in through the Alternate Dispute Resolution, and if necessary, the Tax courts and possibly the High Court should it be necessary. If JRA is successful in its appeal, the tax raised and interest as well as penalties charged will be reversed, and all payments made to SARS will be refundable to JRA. Estimated value of the contingent asset is R35,000,000

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32. Directors' emoluments

Executive directors

2022

	Emoluments	Other benefits*	Pension paid or receivable	Total
Selemo Monakedi - Chief Executive Officer	2,118,476	411,696	125,227	2,655,399
S. Nodu - Acting Chief Executive Officer	1,918,963	216,870	240,435	2,376,268
M. Thindisa - Chief Financial Officer	1,978,734	26,393	100,181	2,105,308
H. Ndiweni - Acting Chief Financial Officer	1,406,698	143,013	158,207	1,707,918
	7,422,871	797,972	624,050	8,844,893

2021

	Emoluments	Other benefits*	Pension paid or receivable	Total
Selemo Monakedi - Chief Executive Officer	1,548,420	316,884	83,485	1,948,789
M. Thindisa - Chief Financial Officer	1,791,922	357,956	91,833	2,241,711
H Ndiweni - Acting Chief Financial officer	822,362	345,835	123,562	1,291,759
	4,162,704	1,020,675	298,880	5,482,259

* Other benefits comprise of travel allowance, cellphone allowance and medical benefits

Non-executive directors

2022

	Directors' fees	Total
T Sambo - Chairperson (Resigned after year-end)	-	-
M. Thindisa - Chief Financial Officer	208,000	208,000
H Mtinkhulu	116,000	116,000
N Mkhize	68,000	68,000
T Phetla	7,052	7,052
B Mokgatlhe	64,000	64,000
I Mthembu	68,000	68,000
S Bapela	44,000	44,000
M Myeza	-	-
Dr A Mokoena (Retired)	32,000	32,000
N Mila (Retired)	92,000	92,000
S Chiloane-Nwabueze (Retired)	36,000	36,000
E Mtshali (Retired)	108,000	108,000
Y Ngxabazi (Retired)	18,000	18,000
F Ntsandeni (Retired)	142,000	142,000
L Ndlovu (Retired)	126,000	126,000
L Mdluli (Retired)	64,000	64,000
O Mekwa (AFR&IT Committee Member until 15 February 2022)	34,000	34,000
K Parirenyalwa (AFR&IT Committee Member until 15 February 2022)	54,000	54,000
S Mzizi (AFR&IT Committee Member until 15 February 2022)	34,000	34,000
T Mongatane (AFR&IT Committee Member as at 30 June 2022)	20,000	20,000
S Makhubela (AFR&IT Committee Member as at 30 June 2022)	8,000	8,000
	1,343,052	1,343,052

30 June 2021

	Directors' fees	Total
Dr A. Mokoena - Chairperson from 19 March 2020	188,609	188,609

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32. Directors' emoluments (continued)		
L. Mdluli	180,000	180,000
N. Mila	154,000	154,000
L. Ndlovu	234,000	234,000
Dr S.Ndlungwane	96,000	96,000
F. Ntsandeni	232,000	232,000
H. Mtimkhulu	166,000	166,000
M. Qhomane	102,000	102,000
F. Seemela	108,000	108,000
T Tshitangano	24,000	24,000
A. Torres	132,000	132,000
Y Ngxabazi	70,000	70,000
E Mtshali	64,000	64,000
S Chiloane-Nwabueze	64,000	64,000
O.Mekwa	48,000	48,000
K. Parienyatwa - AFR&IT Committee Member from 19 March 2020	48,000	48,000
S.Mzizi - AFR&IT Committee Member from 19 March 2020	42,000	42,000
	1,952,609	1,952,609

33. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks arising from the use of financial instruments during the ordinary course of business. The Entity does not speculate in the trading of derivative instrument.

The Entity does not speculate in the trading of derivative instrument. Risks to which the Entity is exposed to can be classified into the following:

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any surplus from non-performance by these counterparties.

Market risk

Interest rate risk

As the Entity has no significant interest bearing assets, the Entity's income and operating cashflows are substantially independent of changes in the market interest rates.

The Entity's exposure to interest rate risk is limited, as the entity has no significant interest bearing liabilities.

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34. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of 353,034,867 and that the entity's total assets exceed its liabilities by 698,812,159.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Entity is wholly dependent on the City Of Johannesburg Metropolitan Municipality for continued funding of operations.

The annual financial statements are prepared on the basis that the Entity is a going concern and that the City Of Johannesburg Metropolitan Municipality has neither the intention nor need to liquidate or curtail materially the scale of the Entity. A letter of comfort is issued each year by the City Of Johannesburg Metropolitan Municipality regarding the ability of the Entity to carrying on as a going concern in the future.

35. Events after the reporting date

1. Appointment of Chief Executive Officer (CEO)

The JRA has appointed Mr. Tshepo Mahanuke as the new CEO. His appointment was effective from 01 August 2022.

2. Appointment of new Board Chairperson

The JRA Board Chairperson is now T. Motlounq due to the resignation of Mr T. Sambo.

3. Appointment of new AFR&IT Committee Chairperson

The JRA AFR&IT Committee Chairperson is now B. Mokgatle due to the appointment of T. Motlounq as Board Chairperson.

36. Fruitless and wasteful expenditure

Opening balance as previously reported	28,475,533	6,250
Opening balance as restated	28,475,533	6,250
Add: Expenditure identified - current	4,145,064	28,470,542
Add: prior period expenditure identified in current year	23,172,046	-
Less amounts reversed - ESKOM interest	(2)	(1,259)
Closing balance	55,792,641	28,475,533

The fruitless and wasteful expenditure noted in the current year is irrecoverable as per the preliminary investigations held and no criminal cases have been opened for the current year irregular expenditure.

Included in the fruitless and wasteful expenditure for the current year, is expenditure that relates to interest charged on overdue balances and penalties and interest charged from SARS reassessments. JRA is currently appealing the SARS tax rulings, but continue to be charged interest while the matter is still being heard in court. JRA has since settled outstanding SARS balances to avoid further interest being charged while the case is being appealed in the Tax Court.

Management has made arrangements to receive invoices electronically from ESKOM, measures are in place to pay the suppliers in instances where invoices are received late. Management continuously engages ESKOM to reverse the interest or penalties incorrectly charged.

The SAP Project has been halted as per the City Of Johannesburg request. The SAP project is now being implemented/handled at the City for all entities and JRA is awaiting its turn. Based on the approach taken by COJ to have a centralised SAP, the JRA SAP expenditure also relates to an older previous version that will not be implemented by COJ. Therefore the expenditure for SAP incurred by JRA is impaired in full. The expenditure incurred will therefore be disclosed as fruitless and wasteful expenditure that will be subject to investigation as per MFMA.

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36. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Interest charged on late payments and penalties - SARS	4,121,304	28,449,429
Interest charged on overdue balances - ESKOM and TELKOM	14,821	26,102
Non-compliance with PAIA reporting	8,939	-
Impairment loss (JRA SAP Project)	23,172,046	-
	27,317,110	28,475,531

37. Irregular expenditure

Opening balance	640,216,031	506,670,099
Add: Irregular Expenditure - current	-	-
Add: Irregular Expenditure - (Overspending of budget) - prior period	138,400,428	167,536,457
Less: Amount written off by Council - 27 October 2020	28,152,510	-
	-	(33,990,525)
Closing balance	806,768,969	640,216,031

Incidents/cases identified in the current year include those listed below:

Overspending of approved Budget (Prior Year): non-cash items include the following:

	Over / (Underspending)
Provision for legal proceedings	104,941,685
Depreciation and amortisation	(11,045,107)
Finance costs	623,000
Debt impairment	544,243
	95,063,821

Irregular expenditure for the year comprises of

Expenditure incurred on expired contracts	19,706,781	44,293,767
Non - compliance with regulation 32 of the MFMA.	37,751,184	42,150,507
Employees in the service of the state doing business with JRA	-	157,343
Non compliance with local content requirements	1,217,570	4,458,717
Other non-compliance to competitive bidding processes	79,724,892	76,476,123
Over-expenditure of Approved budget (Prior period)	28,152,510	-
	166,552,937	167,536,457

Cases under investigations

21 (2021: 25) cases related to non-compliance with procurement process requirements.

Municipal Finance Management Act	16	11
Other Local Government Acts (Local content)	2	3
Municipal Supply Chain Management Regulations	3	11
	21	25

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37. Irregular expenditure (continued)		
Details of irregular expenditure for the current year-2022		
AON - The contract has expired but the services are still continuing (COJ Appointments)	8,931,907	
Calliper Consulting Engineers - The contract has expired but the services are still continuing	1,930,467	
Intdev Internet Technologies - The contract has expired but the services are still continuing	2,860	
Internet Solutions / Dimension Data - The contract has expired but the services are still continuing	629,732	
Metropolitan Trading Company (MTC) - The contract has expired but the services are still continuing	2,914,891	
Microsoft - The contract has expired but the services are still continuing	489,571	
MTN - The contract has expired but the services are still continuing	2,513,650	
New Dawn Technologies - The contract has expired but the services are still continuing	1,619,218	
Zeda - The contract has expired but the services are still continuing (COJ Appointments)	674,484	
Afrirent - Non - compliance with regulation 32 of the MFMA. (COJ Appointments)	35,951,599	
Avis/Zeda - Non compliance with regulation 32 of the MFMA (COJ Appointments)	1,463,323	
Tlou Intergrated Tech - Non - compliance with regulation 32 of the MFMA.	336,262	
Abedare - Bid advert issued without local content requirements	75,652	
Kelvata - Bid advert issued without local content requirements	1,141,918	
Gauflora/Tefla - Non-compliance with competitive bidding processes	16,717,024	
Imvula - Non-compliance with competitive bidding processes	11,264,366	
Shonisani - Non-compliance with competitive bidding processes	13,460,146	
SP Surfcing and Seedi JV - Non-compliance with competitive bidding processes	28,157,811	
PK Ramashu - Non-compliance with competitive bidding processes	4,478,910	
Actophambili - Non-compliance with competitive bidding processes	5,646,636	
Over-expenditure of Approved budget. (Prior period error)	28,152,510	
	166,552,937	

Management is still investigating as at 30 June 2022, but the procurement process is still underway.

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37. Irregular expenditure (continued)		
Details of Irregular expenditure-prior year-2021		
Avis Fleet Services - The contract has expired but the procurement is still continuing.		3,311,415
Calliper Consulting Engineers - The contract has expired but the procurement is still continuing.		7,671,962
Intdev Internet Technologies - The contract has expired but the procurement is still continuing.		2,274
Internet Solutions / Dimension Data - The contract has expired but the procurement is still continuing.		264,447
Kgalawu Consulting - The contract has expired but the procurement is still continuing.		3,699,917
Microsoft - The contract has expired but the procurement is still continuing.		628,884
MTN - The contract has expired but the procurement is still continuing.		4,384,506
Tlou Intergrated Tech - The contract has expired but the procurement is still continuing.		886,020
Vodacom - The contract has expired but the procurement is still continuing.		2,532,211
Afrent - Non - compliance with regulation 32 of the MFMA.		30,894,801
HBC Construction/NWETI Construction JV - Non compliance with regulation 32 of the MFMA.		8,456,471
Shonisani Rambau Construction - Non - compliance with regulation 32 of the MFMA.		5,178,376
WBHO - Non - compliance with regulation 32 of the MFMA.		18,532,989
Pantz Investments - Employees in the service of the state doing business with JRA.		157,343
Law Trusted Party Services - Declaration of interest not provided.		14,139
Titus Corporation - Declaration of interest not provided.		20,207
Kelvata Trading 104CC - Bid advert issued without local content requirements.		1,094,249
Abedare Cables (Pty) Ltd - Bid advert issued without local content requirements.		3,222,346
Traffic Signals & Accessories - Bid advert issued without local content requirements.		142,123
Gau Flora (TEFLA GROUP) - Non-compliance with competitive bidding process.		30,250,366
SP Surfacing (PTY) LTD and Seedi Development Projects JV - Non-compliance with competitive bidding process.		43,925,530
Siemens Mobility (Pty) Ltd - Declaration of interest supplied after appointment.		620,185
Syntell (Pty) Ltd - Declaration of interest supplied after appointment.		881,892
Automotor Traffic Signal Company - Declaration of interest supplied after appointment.		275,376
Egoli Gas - Declaration of interest supplied after appointment.		488,428
		167,536,457

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38. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the board who considered them and subsequently approved the deviation from the normal supply chain management regulations.

39. DEVIATION EXPENDITURE

Sole Supplier

SABS - Appointment of service provider for the renewal of annual subscription for material laboratory testing systems standards	5,606	-
Dogan Exhibition and Events - Appointment of service provider to book a space, facilitate payment, design, build, brand a stand for JRA Rand Show 2021 Spring edition.	75,498	-
Wolters Kluwer Tax & Accounting LTD - Appointment of a service provider for the renewal of Teammate license for Internal audit unit.	87,058	-
Law Trusted Third Party Service (Pty) Ltd - Appointment of a service provider for the provision of entrust public SSL certificate from Lawtrust, a sole provider of entrust certificate in South Africa for the period of three years	-	20,208
	-	-
	168,162	20,208

Emergency

TTR Infrastructure & Nkululeko Project JV - Emergency appointment of a contractor to complete the upgrading of gravel roads and associated stormwater in Doornkop and Thulani Phase 5.	11,852,959	-
Titus Corporation (Pty) Ltd - Emergency Appointment of a service provider to provide specialised Emails recovery tool to recover corrupt email Data	-	14,139
Egoli Gas - Appointment of a service provider to provide bulk natural gas for Asphalt Plant operations on an emergency basis from Egoli Gas (current gas infrastructure owner at Asphalt Plant facility) to sustain asphalt operations.	-	491,227
	11,852,959	505,366

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39. DEVIATION EXPENDITURE (continued)

Impracticality

Sunnyside Park Hotel - Appointment of service provider for provision of accommodation for off-site evaluation	-	303,652
Siemens Mobility (Pty) Ltd -	-	1,188,196
Syntell (Pty) Ltd	3,671,178	830,387
Automotor traffic Signal company	-	315,633
Protsurv Geo Center (Pty) Ltd (Reg 17 Deviation)	-	98,225
Geosemantic Software Solutions (Pty) Ltd (Reg 17 Deviation)	-	200,000
Zeda Car Leasing T/A Avis Fleet Services - COJ Deviation	1,978,402	-
Afrirent (Pty) Ltd - COJ Deviation	35,562,476	-
Fachs Business Consulting & Training (Reg 17 Deviation)	337,400	-
AON South Africa (Pty) Ltd - COJ Deviation	-	3,368,521
Gondwana Environmental Solutions International (Pty) Ltd (Reg 17 Deviation)	72,308	-
Sincrolec Controls	104,788	-
Hlapogodi Suppurative Services (Reg 17 Deviation)	199,999	-
Ayanda Mbanga Communications (Reg 17 Deviation)	133,763	-
	42,060,314	6,304,614

Deviation Expenditure Reconciliation

Sole supplier	168,162	20,208
Emergency	11,852,959	505,366
Impracticality per regulation 36	41,316,844	6,006,389
Impracticality per regulation 17*	743,471	298,225
	54,081,436	6,830,188

*Please note that there were instances where all SCM regulations were followed to request for quotations, while the responses were less than the three required, and it was impractical to readvertise as it would delay service delivery. These cases are treated as per Regulation 17 of the SCM regulations and are approved by the chief financial officer.

40. Awards made to persons in service of the state

Supplier name	Name of person in service of the state	Capacity in which that person is in the service of the state	Amount paid
Setlatlapi Business Enterprise	Mrs. PC Lerefolo	Employee - Eskom	173,225

During the financial year it was noted that an award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state. The spouse of a director from Setlatlapi Business Enterprise is employed by the state (Eskom) This was also declared in the supplier's MBD declaration forms

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41. General expenses - Indirect Costs		
Advertising	685,925	1,757,007
Auditors remuneration	3,793,321	3,488,037
Bank charges	73,651	57,723
Consulting, professional and legal fees	56,780,456	26,153,660
Consumables	822,198	2,063,550
Directors' Fees	1,414,871	2,072,326
Entertainment	119,670	303,906
Insurance	17,551,992	20,831,102
Conferences and seminars	62,066	111,175
IT expenses	12,142,024	13,757,978
Magazines, books and periodicals	656,200	372,850
Printing and stationery	9,036,090	1,418,098
Promotions	67,804	171,786
Repairs and maintenance	8,977,434	10,499,786
Security (Guarding of municipal property)	2,142,839	3,046,981
Software expenses	326,940	3,431,820
Staff welfare	11,994	165,178
Subscriptions and membership fees	507,004	378,133
Telephone and fax	27,412,278	20,187,772
Training	3,280,335	1,929,665
Travel - local	1,138	173,700
Assets expensed	102,972	147,421
Electricity	17,419,776	13,004,632
Sewerage and waste disposal	(1,392,464)	2,594,544
Water	4,414,147	2,623,671
Utilities	-	115,262
Loss on foreign currency transaction	2,992	15,537
Arbitration awards	1,194,216	-
Provision for bad debt	270,000	544,243
Provision for legal proceedings	40,195,142	125,704,685
	208,073,011	257,122,228

42. Prior-period errors

Presented below are those items contained in the statement of financial position and statement of financial performance that have affected the prior year adjustments

Statement of financial position

Johannesburg Roads Agency (SOC) Ltd

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2022

2021

43. Prior-period errors (continued)

2021

	Note	Prior year audited amount	Correction of error	Restated amount
Payables from exchange transactions	12	747,997,605	(48,123,639)	699,873,966
Operating lease liability	12	-	3,008,221	3,008,221
Property, plant and equipment	8	161,496,071	1,312,104	162,781,175
Employee benefit obligation	6	51,528,000	(2,280,000)	49,248,000
Accumulated Surplus		351,728,474	49,210,972	400,939,446

Details of errors - 2022

Payables from exchange transactions

It was brought to the Finance department's attention that the credit balance in UIF and SDL was caused by an error in the payroll system and not a SARS deferred balance owed. To correct the error, the balance was therefore reclassified from liabilities and the effect is that the Accumulated surplus balance is increased. In addition, there was an error identified where a 2020 audit adjustment that was meant to be limited to disclosure was also done to the Ledger account.

Operating lease Liability

As per the accounting policy, JRA recognises operating lease payments as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. On analysis of the agreement for the JRA Head Office building, it was noted that there is an escalation clause on the monthly lease payments, therefore there is a difference between the expense that should have been recognised. The prior year figures have been restated to disclose the effects of the correction of the error.

Property, plant and equipment.

It was discovered that there were certain assets that had useful lives that were supposed to be revised in prior years. JRA has since made correcting entries. The effects of this error has been indicated above.

Employee benefit obligation

During the preparation of the 2022 actuarial report inputs, it was noted that JRA input data had errors where non-qualifying employees were part of the data submitted for actuarial purposes. This has been corrected subsequently and a revised report was issued by the actuaries.

Statement of financial performance

2021

	Note	Prior year audited amount	Correction of error	Restated amount
Employee related costs		376,244,666	(20,636,770)	355,607,896
Lease rentals on operating lease		37,757,316	560,775	38,318,091
Interest received - investment		34,855,451	264,467	35,119,918
Depreciation and amortisation		47,654,893	(316,216)	47,338,677
Deficit for the year		(195,122,533)	(20,127,744)	(174,465,855)

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43. Prior-period errors (continued)

Disclosure notes

	Note	Prior year audited amount	Correction of error	Restated amount
Commitments - Capital commitments		830,331,971	19,112,501	849,444,472
Commitments - Operating commitments		50,721,489	(1,167,502)	51,888,991
Financial instruments - Financial Liabilities		482,710,146	(46,241,271)	436,468,875
Surplus for the year		1,363,763,606	(28,296,272)	1,337,802,338

Commitments

It was noted that the commitments schedule had a calculation error where the adjustment for VAT was done at 15% instead of the VAT fraction (15/115) which has now been corrected in the disclosure note.

Financial Instruments

Through the audit process for the 2022 financial year, it was identified that there are JRA payables from exchange transactions, that do not meet the disclosure requirements per GRAP as they will not be settled by either cash, or another financial instrument, but will rather be settled by delivery of services by JRA. Based on this, the 2021 disclosure was adjusted. The adjustment also includes the error from the payables from exchange transaction of R29 million that is explained earlier in the note.

44. Comparative figures

Certain comparative figures have been reclassified. See the prior period error note for these restatements details.

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45. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major Departments: Infrastructure development, Mobility and Freight and finally, the Regional Operations Department services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The entity operates throughout the City of Joburg Municipality's 7 regions. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Johannesburg were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Infrastructure Development	Development of community streets, freeways and arterails, main roads, stormwater and traffic signals
Regional Operations	Responsible for maintenance of strategic assets, road resurfacing, asphalt plant, laboratory, motorways and fleet
Mobility & Freight	Responsible maintenance of traffic engineering and safety, Traffic signal Management

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45. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Disclosure notes

Revenue

Revenue from exchange transactions

Revenue from other non-reportable segments

Entity's revenue

Expenditure

Cost of road Maintenance

Other operating expenses

Total segment expenditure

Total segmental surplus/(deficit)

Total revenue reconciling items

Cost of road maintenance - non-reportable segments

Operating expenses from non-reportable segments

Taxation

Entity's surplus (deficit) for the period

2021

Revenue

Revenue from exchange transactions

Entity's revenue

Regional Operations	Mobility & Freight	Infrastructure Development	Total
43,335,708	10,364,902	30,681,362	84,381,972
			1,514,262,024
			1,598,643,996

(517,641,344)	(54,854,324)	-	(572,495,668)
-	-	(27,271,704)	(27,271,704)
(517,641,344)	(54,854,324)	(27,271,704)	(599,767,372)
			684,149,344
			1,514,262,024
			(201,365,952)
			(1,209,330,768)
			(132,608,580)
			(29,043,276)

Infrastructure Development	Regional Operations	Mobility & Freight	Total
29,770,687	35,977,309	20,854,378	86,602,374
			86,602,374

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45. Segment information (continued)

Expenditure

Cost of road maintenance
Other operating income and expenses

Total segment expenditure

Total segmental surplus/(deficit)

-	691,661,220	110,510,466	802,171,686
40,209,308	23,520,345	(7,163,815)	56,565,838
40,209,308	715,181,565	103,346,651	858,737,524
			(772,135,150)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

Information about geographical areas

The entity's operations are in the City of Joburg Metropolitan Municipality. The entity operates across the entire Metropolitan area and has multiple Depots and offices across the entire City of Johannesburg.

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2021

46. Financial Instruments disclosure

Categories of financial instruments

Disclosure notes

Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders-Notional Accounts	-	51,800,628	51,800,628
Loans to shareholders-Intercompany Sweeping Account	-	277,266,217	277,266,217
Trade and other receivables from exchange transactions	-	513,475,973	513,475,973
Cash and cash equivalents	471,298,995	-	471,298,995
	471,298,995	842,542,818	1,313,841,813

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	436,468,875	436,468,875
Provisions	243,909,033	243,909,033
Finance lease obligation	31,583,427	31,583,427
Operating lease liability	503,746	503,746
	712,465,081	712,465,081

2021

Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders-Notional Accounts	-	54,820,498	54,820,498
Loans to shareholders-Intercompany Sweeping Account	-	457,048,817	457,048,817
Trade and other receivables from exchange transactions	-	609,266,585	609,266,585
Cash and cash equivalents	436,419,242	-	436,419,242
	436,419,242	1,121,135,900	1,557,555,142

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	676,800,861	676,800,861
Provisions	190,675,117	190,675,117
Finance lease obligation	45,288,696	45,288,696
Operating lease liability	3,008,221	3,008,221
	915,772,895	915,772,895

Financial instruments in Statement of financial performance

Disclosure notes

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	29,029,926	29,029,926
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12,530,421)	(12,530,421)

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Figures in Rand	2022	2021
46. Financial instruments disclosure (continued)		
	16,499,505	16,499,505
2021		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	35,119,918	35,119,918
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(36,976,627)	(36,976,627)
	(1,856,709)	(1,856,709)
47. Impairment loss		
Impairments		
Intangible assets - Computer software	23,172,046	-
The SAP Project has been halted as per the City Of Johannesburg request. The SAP project is now being implemented/handled at the City for all entities and JRA is awaiting its turn. Based on the approach taken by COJ to have a centralised SAP, and with the JRA SAP expenditure that relates to an older previous version that will not be implemented by COJ. Therefore the expenditure for SAP incurred by JRA is impaired in full. The expenditure incurred will also be disclosed as fruitless and wasteful expenditure that will be subject to investigation as per MFMA.		
48. Change in estimate		
Property, plant and equipment		
Various movable assets and infrastructure assets with original remaining useful life varying between 1-6 years have been revised in the beginning of the period to reflect a new depreciable amount amount and the actual pattern of service potential derived from these Assets. R1,353,888		
The effect on the current and future period will be a decrease in the depreciation charge of R 1, 353,888.43 in the current period and equal increase in the depreciation charge of R 1, 353,888.43 over the next period as per the above information.		

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49. Related parties

Relationships

Directors

Controlling entity

Other members of the group

Refer to directors' report note

The City of Johannesburg Metropolitan Municipality

City of Johannesburg Property Company (SOC) Ltd

City Power Johannesburg (SOC) Ltd

Johannesburg City Parks and Zoo (NPC) Ltd

Johannesburg Development Agency (SOC) Ltd

Johannesburg Metropolitan Bus Services (SOC) Ltd

Johannesburg Civic Centre (SOC) Ltd

Johannesburg Social Housing Company (SOC) Ltd

Johannesburg Water (SOC) Ltd

Metropolitan Trading Company (SOC) Ltd

Pikitup Johannesburg (SOC) Ltd

Johannesburg Fresh Produce Market (SOC) Ltd

Johannesburg Tourism (SOC) Ltd

Related party balances

Amounts included in the trade receivables regarding related parties

The City Of Johannesburg Metropolitan Municipality

368,449,790

453,239,369

City Power Johannesburg (SOC) Ltd

349,641

349,641

Johannesburg Water(SOC) Ltd

22,844,699

23,415,823

391,644,130

477,004,833

Amounts included in Trade payables regarding related parties

The City of Johannesburg Metropolitan Municipality

17,835,652

51,916,650

Johannesburg Water (SOC) Ltd

20,904

54,976

Johannesburg Civic Theatre (SOC) Ltd

15,276

48,605

Johannesburg City Parks and Zoo (SOC) Ltd

5,609,337

17,823,736

City of Johannesburg Property Company (SOC) Ltd

109,474

109,474

Metropolitan Trading Company (SOC) Ltd

805,872

824,271

Johannesburg Development Agency (SOC) Ltd

7,575,016

-

31,971,531

70,777,712

Other related parties accounts

The City Of Johannesburg Metropolitan Municipality - Owners contribution

(345,776,292)

(342,793,805)

The City Of Johannesburg Metropolitan Municipality - Post retirement

51,800,628

54,820,297

Benefits Notional Accounts

The City Of Johannesburg Metropolitan Municipality - Specialised Vehicle

(31,583,427)

(45,288,696)

Finance lease

The City Of Johannesburg Metropolitan Municipality - Amounts received in advance

-

(9,004,904)

The City Of Johannesburg Metropolitan Municipality - Intercompany

277,266,217

457,048,817

Sweeping Account

(48,292,874)

114,781,709

Provision for doubtful debts related to outstanding balances with related parties

City of Johannesburg

-

22,385,187

Income from related party transactions

The City Of Johannesburg Metropolitan Municipality - Subsidies

1,393,046,000

1,293,374,000

The City Of Johannesburg Metropolitan Municipality - Other

23,478,243

22,198,700

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31. Contingencies (continued)		
The City Of Johannesburg Metropolitan Municipality - Interest from the sweeping account	8,553,775	18,843,115
The City Of Johannesburg Metropolitan Municipality - Management fees	30,092,186	24,337,535
The City of Johannesburg Metropolitan Municipality - Interest on employee benefits	2,110,589	1,992,655
Johannesburg City Parks	-	11,617
Johannesburg Water (SOC) Ltd	21,525,367	31,313,558
	1,478,806,160	1,392,071,180
Purchases/expenditure from related parties		
The City Of Johannesburg Metropolitan Municipality	6,100,824	13,902,142
Johannesburg Water (SOC) Ltd	2,021,363	2,011,112
Johannesburg Civic Theatre (SOC) Ltd	39,288	116,816
City of Johannesburg Property Company (SOC) Ltd	13,000	-
Pikitup Johannesburg (SOC) Ltd	268,595	2,359,965
Johannesburg City Parks and Zoo (SOC) Ltd	5,384,117	1,906,370
Metro Trading Company (SOC) Ltd	6,943,031	2,803,031
City Power Of Johannesburg (SOC) Ltd	8,698,434	6,929,940
Johannesburg Development Agency (SOC) Ltd	3,613,522	-
	33,082,174	30,029,376

Key management information

Class	Description	Number
Non - executive board members	Board members	10
Independent Audit Committee	Non Board Members	3
Executive Directors excluding acting during the year	Board members	2
Senior Management excluding acting during the year	Head of Department	4

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Detailed Income statement

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	17	81,874,090	79,570,102
Other income	19	14,373,914	17,861,238
Investment revenue (Interest Income)	23	29,029,926	35,119,918
Total revenue from exchange transactions		125,277,930	132,551,258
Revenue from non-exchange transactions			
Transfer revenue			
Subsidy - The City of Johannesburg Metropolitan Municipality	17	1,393,046,000	1,293,374,000
Developers' Income	17	79,145,513	26,367,446
Total revenue from non-exchange transactions		1,472,191,513	1,319,741,446
Total revenue	17	1,597,469,443	1,452,292,704
Expenditure			
Employee costs	26	(362,729,731)	(355,607,896)
Depreciation and amortisation	27	(44,868,735)	(47,338,677)
Impairment loss	47	(23,172,046)	-
Finance costs	24	(12,530,421)	(36,976,627)
Lease rentals on operating lease		(32,266,887)	(38,318,091)
Call Centre Charges		(1,776,000)	(2,222,000)
Cost of Road Maintenance	18	(773,861,620)	(805,050,780)
General expenses - Indirect Costs	42	(208,073,011)	(257,122,228)
Indirect costs - COJ infrastructure	21	(64,894,192)	-
Total expenditure		(1,524,172,643)	(1,542,636,299)
Surplus (deficit) before taxation		73,296,800	(90,343,595)
Taxation	25	(121,201,383)	(84,122,260)
Deficit for the year		(47,904,583)	(174,465,855)

* See Note 43